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Economics Research Associates



**SANTA BARBARA
ECONOMIC FORECAST
AND HOTEL/TOURISM STUDY**

**PREPARED FOR
THE CITY OF SANTA BARBARA**

JANUARY 1986

Εθνική Μετσόβια Πολυτεχνική Σχολή



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PREPARED BY

**ECONOMICS RESEARCH ASSOCIATES
680 BEACH STREET, SUITE 370
SAN FRANCISCO, CALIFORNIA 94109
(415) 775-3170**


IN ASSOCIATION WITH

**EIP ASSOCIATES
319 ELEVENTH STREET
SAN FRANCISCO, CA 94103**

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SUMMARY REPORT

SANTA BARBARA ECONOMIC FORECAST AND HOTEL/TOURISM STUDY

INTRODUCTION

When looking ahead to the year 2000, the citizens of Santa Barbara now face a situation where the availability of physical resources (most notably water and transportation system capacities) will limit the total amount of growth which may occur in the city. In terms of Santa Barbara's future economic health and quality of life, the question now is which type of economic activity should the City choose to emphasize (or what form of commercial/industrial real estate development should be allowed). The hotel/tourism industry has long contributed jobs, income, taxes and profits to the local economy, but additional hotel/motel development could increase visitor congestion and potentially detract from the charming and small town flavor which makes Santa Barbara appealing to residents and visitors alike. In order to choose the most beneficial growth strategy, the Santa Barbara community must know what the relative impacts are (both positive and negative) of emphasizing additional hotel development as opposed to additional retail development, additional offices, or other new development.

To assist with the evaluation of alternative futures, the City of Santa Barbara has retained Economic Research Associates (ERA) in association with EIP Associates, to prepare a series of interrelated studies which may be separated into two major parts: the first (presented in Part A), is a study of the South Coast hotel and convention industry; and the second (presented in Part B) is a comparison of growth alternatives available to Santa Barbara, including the comparison of a strategy which emphasizes hotel development to other possible strategies.

Framework for Analysis

Before alternative growth strategies could be realistically compared with a hotel/tourism expansion strategy, more needed to be known about the current health and recent trends in Santa Barbara's hotel/tourism industry. The requisite economic survey and analysis were conducted in Part A in this series of studies. With this baseline data, it was then possible to formulate a set of four alternative growth scenarios, and estimate a variety of demographic and economic impacts which would follow from each set of growth assumptions.

The growth dynamics in Santa Barbara are somewhat different from those traditionally found in less constrained urban environments. Normally, increasing economic activity and external growth pressures (including employment growth, residential population growth, and growth in visitation) can be envisioned as creating a demand for real estate products (i.e., the housing units and commercial building shells to house employees and activity). The local real estate market in turn satisfies that demand by supplying new development. This new development, and the economic and human activity housed therein, then place further demands on such physical resources as water and sewage capacity, and local transportation networks.

In the current Santa Barbara situation, however, the market dynamics are reversed. Water and transportation resources are known to be constrained, and will be depleted long before the 15 year time horizon of the study if traditional market forces are allowed to stimulate growth unchecked. In the situation faced by the City of Santa Barbara, it is reasonable to assume that the demand for housing units and buildings to house economic activity will be greater than can be physically accommodated over the next 15 years. Thus, resource constraints justify the implementation of land use controls to regulate the amount of new commercial real estate development to be allowed between now and the year 2000.

In this situation, population and economic activity can expand within the city limits only to the extent that they can be more intensely packed

into existing buildings, or to the extent to which new real estate development is allowed. Where population and economic growth are traditionally seen as "causing" the need for new real estate development, in this case allowing new real estate development can essentially be seen as "causing" population growth, increased overnight visitation, and economic growth within the city limits.

Description of Scenarios

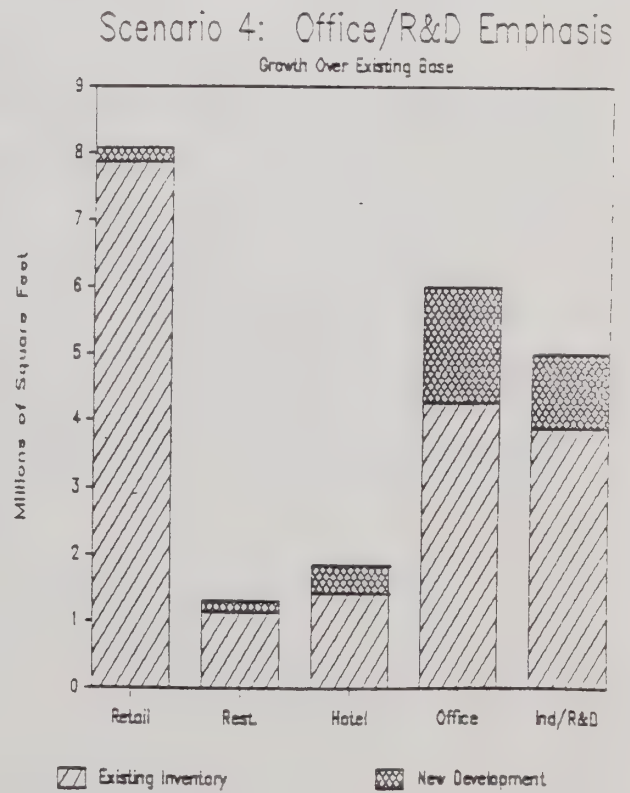
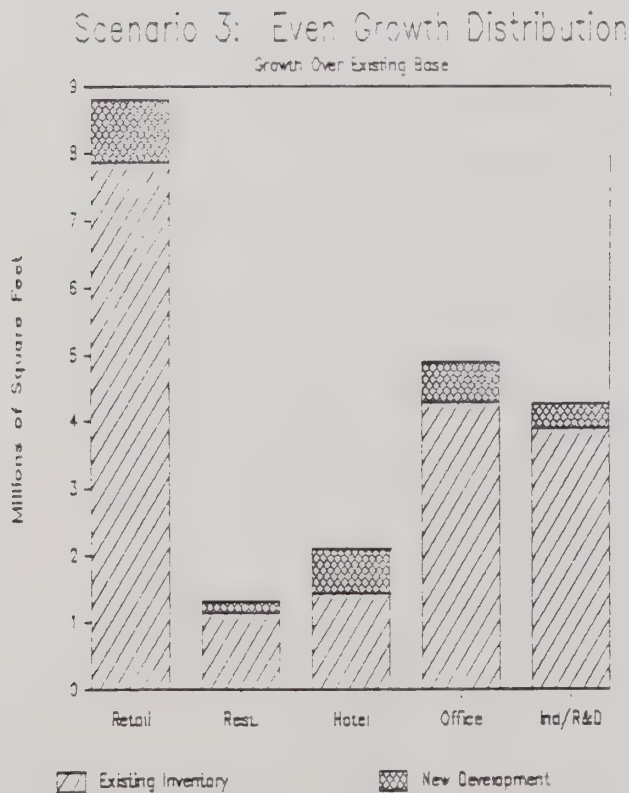
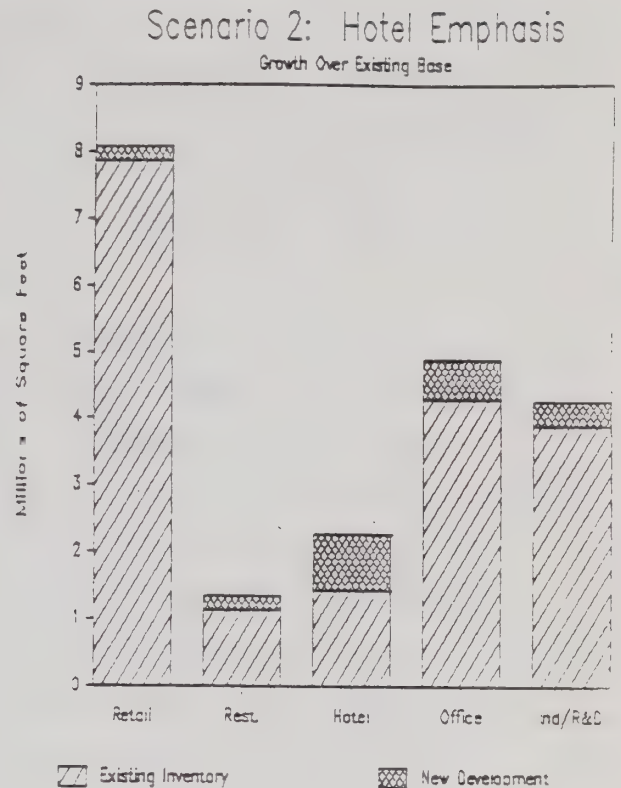
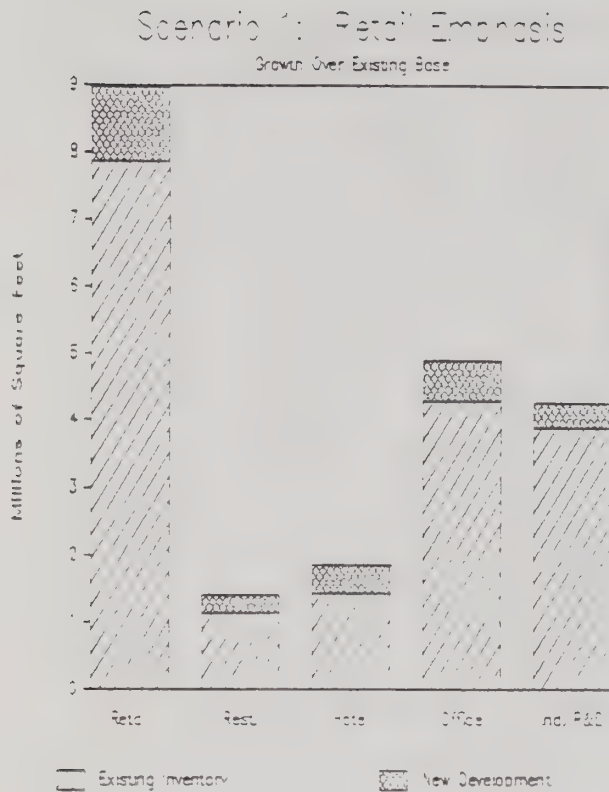
This analysis is based upon four scenarios describing alternative growth patterns for the City over the coming 15 year period. Scenario analysis provides a means of projecting alternative goals, in order to choose a preferred path. Scenarios were formulated jointly by City staff, ERA and EIP, and were designed to emphasize different types of commercial real estate development, while constraining the total mix of development in each scenario to the same volume of water consumption. All four of the growth scenarios are calibrated to use essentially the same amount of water as Scenario B in the Master Water Plan Study (EIP, 1985). The selection of Scenario B was made to facilitate land use comparisons; this selection does not imply an endorsement of Scenario B. Any of the scenarios in the Master Water Plan could have been used. At 17,680 acre-ft/year, it is 730 acre-ft/year higher than the City's current dependable water supply of 16,950 acre-ft/year. The four different development emphases are:

- Scenario 1: Retail emphasis;
- Scenario 2: Hotel emphasis;
- Scenario 3: Even distribution of growth; and
- Scenario 4: Office/R & D emphasis.

Figure 1 graphically presents the new development postulated for each scenario in terms of gross square feet of new building area allowed over the next 15 years over the existing base of each type of building. The largest increment in retail building is postulated for the "retail emphasis" scenario, the largest increment in hotel is postulated for the "hotel emphasis" scenario, and so on. Overall, the greatest addition to building

FIGURE 1

DEFINITION OF SCENARIOS



space is postulated in Scenario 4, the smallest is in Scenario 2. In comparison to existing conditions, Scenarios 2 and 3 postulate a relatively significant increase in the hotel inventory. The new office and industrial construction in Scenario 4 is also a significant addition to the existing base. The city already contains a large amount of retail space, however, and even Scenario 1 which emphasizes new retail development postulates less than a 15 percent increase in retail space.

The largest overall new construction volume is postulated for Scenario 4, because the same amount of water was assumed to be available for all four scenarios, and because the office and industrial/R&D uses emphasized in Scenario 4 consume less water per square foot than do other commercial land uses. As will be seen below, Scenario 4 generates the largest impacts according to several measures. These disproportionate impacts are due in part to the sheer volume of building assumed.

Between 1985 and the year 2000, a total of 3,459 new housing units are postulated to be developed within the city, which constitutes an expansion of roughly 10 percent in the City's housing stock. This assumption, which was used in Scenario B of the Master Water Plan, was held constant for all four of the scenarios used in this study.

Structure of the Report

The remainder of the summary report presents the major findings from both Parts A and B, and suggests implications for future policy. The casual reader can get the essence of the entire series of studies from this summary alone. A second level of detail is found in the full Part A and Part B reports (also bound in this document). A third level of detail is provided by the two appendices to the Part B report, which present the scores of assumptions, estimates, methodologies, and underlying research used to estimate the economic and physical systems impacts of the four alternative growth scenarios.

SUMMARY TO PART A: HOTEL/TOURISM ANALYSIS

The important findings resulting from the research and analysis presented in the Part A report are summarized below:

- The hotel inventory in the South Coast Area and particularly in the City of Santa Barbara is characterized by a large number of smaller and older properties. These properties tend to be locally owned and employ local residents.
- A portion of this inventory is clearly vulnerable to competition from new, large scale and well capitalized properties operated by national chains.
- From 1966 through 1980, the South Coast hotel market can be characterized by steady demand build-up but no supply increase.
- During the late 1970s and early 1980s the industry enjoyed nearly a decade of exceptional prosperity due to rapid demand growth and high occupancy rates.
- Since 1980, approximately 650 rooms have been added and an additional 1,400 rooms have been approved for construction.
- If the approved units are all constructed, average occupancy will drop from the high 70 percent range in the early 1980s to the high 60 percent range in the late 1980s.
- The much more intense competition expected during the late 1980s will discourage additional development, encourage stronger existing properties to upgrade to remain competitive, and force weaker properties from the market place.
- During 1980, Santa Barbara had approximately three-quarters of the South Coast hotel inventory, but less than half of the 2,000 units built or expected to be built during the 1980s will be in Santa Barbara.
- Santa Barbara does not enjoy its share of the more affluent segments of the visitor market. The average gross hotel revenue

per room per year is \$14,200 in the South Coast market but is only \$12,800 in Santa Barbara.

- If surrounding communities build new inventory while Santa Barbara does not, the City's position will deteriorate further. That deterioration, over time, could result in social and fiscal costs which are not readily apparent today.
- If Santa Barbara decided to target meetings under 100 people in size, it would still be able to compete for 45 to 47 percent of the total meetings market. Approximately 80 percent of these smaller meetings would be corporate meetings, and these are typically the meetings attended by individuals with higher spending patterns.
- Hotels build conference space primarily to boost off-peak occupancy. The current South Coast hotel market is characterized by excess demand on weekends and strong demand during much of the summer. Weekday demand, except during the peak summer months, tends to be soft. Hotels which are large enough to accommodate groups and offer conference space are able to offset the weekday vacancies by promoting group business. The resulting higher rate of year round occupancy facilitates the amortization of capital cost and the provisions of higher value service to customers.

Suggestions for Policy Makers from the Hotel/Tourism Analysis

Given the conflicting objectives of avoiding over concentration of hotel development, protecting the interests of locally owned small businesses and serving the long term economic and fiscal interest of the community, ERA suggests the following policies for the City of Santa Barbara:

- The City should not place an absolute ceiling on the number of hotel rooms permitted. In the near term future (3 to 5 years) such a ceiling appears unnecessary as the anticipated over-supply

will discourage further construction. The removal of the threat of an absolute ceiling will also relieve pressure for near term development. Currently, we suspect developers are accelerating projects ahead of market support with the expectation of "now or never." Such a ceiling would retard the replacement of obsolete inventory with new higher quality projects. The aging of inventory weakens Santa Barbara's competitive position over time.

- The City should limit hotel/motel development, through zoning or other means, to areas which encourage high quality hotel development and which minimize the tourist versus resident land use conflict. Small bed and breakfast inns could be exempted.
- The City should establish maximum densities for hotel or motel development. Separate density standards should be established for the Central Business District and other portions of the City. High density and high concentration accelerate the decline of any tourist destination which derives its appeal from natural beauty, tranquility and charm.
- In addition to maximum density standards, Santa Barbara has good reason to establish maximum size limits for hotel projects. Limiting the size of new hotel projects serves to reinforce the intimate scale of Santa Barbara; it also softens the competitive impact on existing small operators by reducing the interest of some of the national chains. With fewer national chain operated properties in the market place, redevelopment and renovations of locally owned facilities are more likely. We suggest that the size limit be 250 to 350 units in the Central Business District and 180 to 250 units outside the CBD. A much lower limit would place new Santa Barbara projects at a disadvantage relative to projects outside the City.

- Conference facilities are built to enhance room occupancy. If hotel sizes are limited, the City has little need to limit the amount of meeting space. If the City wishes to be doubly certain, it could limit the amount of meeting space to 40 to 45 square feet per guest room.
- The City should consider minimum open space, room size, lobby area, landscaping and below grade or under the building parking requirements along with maximum densities for new hotel projects to insure that future projects are of a high quality. CBD and non-CBD projects should have different standards.
- The City needs to establish whether the expansion of existing hotel properties needs to conform to new development standards.

SUMMARY TO PART B: ECONOMIC IMPLICATIONS OF ALTERNATIVE GROWTH STRATEGIES

In the Part B study, the four alternative growth scenarios depicted in Figure 1 are compared according to the measures of impact summarized in Table 1. Impacts are briefly described below, and in more detail in the Part B report.

Employment Impacts

Scenario 4 (emphasizing intensive office and industrial/R&D development) which had the largest amount of building volume associated with it, also creates space for the largest number of new jobs.

- Over 12,000 new jobs would be created under Scenario 4, representing an expansion of roughly 20 percent over the current estimate of 54,500 jobs within the City of Santa Barbara.
- Scenarios 1 and 3 (emphasizing retail development or an even distribution of development) follow Scenario 4 by creating approximately 7,000 jobs each.
- Scenario 2 (emphasizing hotel development) generates the lowest number of new jobs.

Table 1

SUMMARY OF IMPACTS BY SCENARIO

<u>Form of Incremental Impact</u>	<u>Unit of Measurement</u>	<u>1-Retail Emphasis</u>	<u>2-Hotel Emphasis</u>	<u>3-Even Growth Distribution</u>	<u>4-Office/ R&D Emphasis</u>
New jobs in the city	Jobs	7,263	6,081	7,025	12,488
Jobs filled through in-migration	Jobs	3,263	2,081	3,025	8,488
New population in the South Coast	People	6,340	4,147	5,934	16,915
Additional demand for South Coast housing units	Units	2,344	1,553	2,187	6,602
Units demanded in the city	Units	1,254	882	1,179	3,459
Those requiring units elsewhere or "creative solutions" within the city	Units	1,090	671	1,088	3,143
New hotel rooms	Rooms	842	1,574	1,302	842
Increase in average number of visitors per day	People	871	1,702	1,345	853
Increase in visitor spending	1985 \$ Millions	\$42.1	\$82.3	\$65.0	\$41.2
Incremental economic impact	1985 \$ Millions	\$491.6	\$403.2	\$473.7	\$777.4
Incremental personal earnings	1985 \$ Millions	\$128.6	\$100.7	\$123.0	\$195.8
Annual fiscal surplus	1985 \$ Millions	\$6.3	\$7.0	\$7.3	\$4.6

Source: Economics Research Associates

The jobs housed in different land uses have different income characteristics.

- The average incomes in office and R&D development are expected to exceed \$20,000 per year. These types of jobs also have a reasonably even distribution of incomes, with a large portion of all job-holders receiving moderate to high incomes.
- Retail, restaurant and hotel industries, on the other hand, are characterized by an income distribution where the vast majority of workers make relatively little money, and only a few managerial and entrepreneurial people receive moderate to high incomes. The overall average in these land uses is also significantly lower than that found in office and R&D developments.
- For these reasons, Scenario 4, emphasizing office and R&D developments, not only creates the most jobs, but attracts the most high income people.

Population Impacts

Incremental new population is projected in Figure 2 for each development scenario.

- The new population will be distributed throughout the South Coast region.
- As with job creation impacts, Scenario 4 generates the largest population impact.

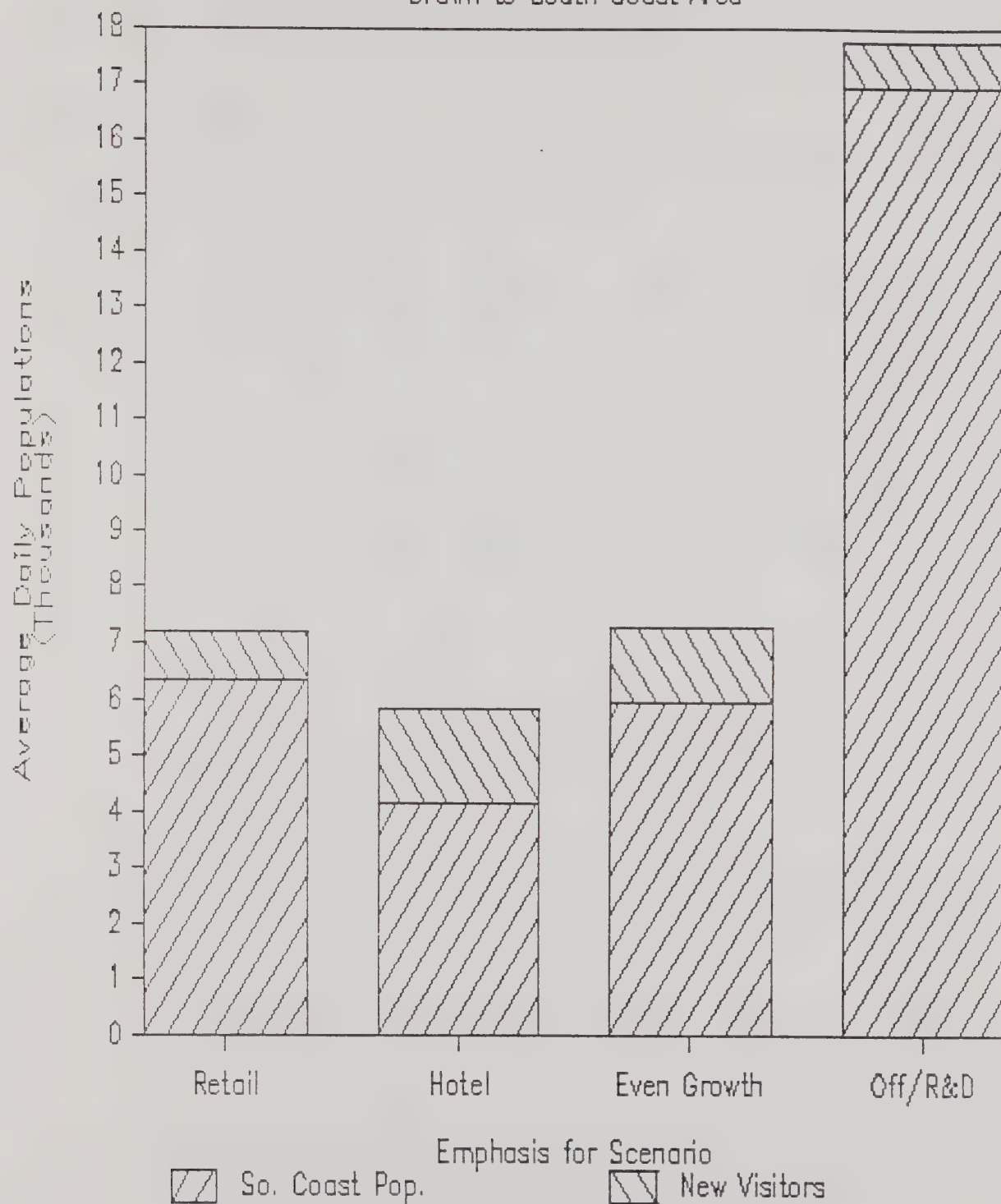
Figure 2 also presents estimates of new overnight visitors attracted by additional hotel development within the City limits.

- Scenario 2 (emphasizing hotel development) generates the greatest increases in overnight visitation and visitor spending.

FIGURE 2

New Population and Overnight Visitors

Drawn to South Coast Area



- When new residents and new visitors are combined in Figure 2, the impacts of Scenarios 1, 2 and 3 are roughly equal in terms of new people attracted into the area.

Housing Impacts

The same growth in the Santa Barbara housing stock is postulated for all four scenarios (3,459 units).

- In all likelihood, additional commercial and industrial development will occur in Goleta and other South Coast communities over the next 15 years. Furthermore, retirees, second-home buyers, and others with no local employment needs will continue to seek housing in the South Coast area. ERA believes the demand pressure on the Santa Barbara housing market is sufficient to fill the planned 3,459 units over the next fifteen years even without any further commercial growth within the City.
- Additional commercial development within the City serves only to increase the number of local employees needing Santa Barbara housing, and thus adds pressure to an already high pressure housing market, and influences the socio-economic mix of residents in the City.

Not all new households will have the financial resources or the inclination to live within the city limits of Santa Barbara in traditional housing units.

- A portion of the population will not be able to afford traditional housing within the City. Some of the additional households attracted will require housing elsewhere in the South Coast area, or may seek more "creative solutions" to housing problems by doubling up with other families, renting garages, or finding other non-traditional residential spaces within the city.

- Scenario 3 (emphasizing hotel development) would have the lowest housing demand, but the first three scenarios all have very similar housing demands both within the City (filling 25 to 35 percent of planned units) and elsewhere in the South Coast region.
- Scenario 4 (emphasizing office and industrial/R&D development) would not only place intense pressure on the Santa Barbara housing market (filling all 3,459 units) but would create a significant spill-over effect of attracting households who would then require housing elsewhere in South Coast communities, or who would be forced into non-traditional forms of housing.

Expansion of the Economic Base and Personal Earnings

Expanding the commercial/industrial space in Santa Barbara will allow for the expansion of economic activity within the City. The total economic impact of each scenario and the expansion in personal earnings is depicted in Figure 3.

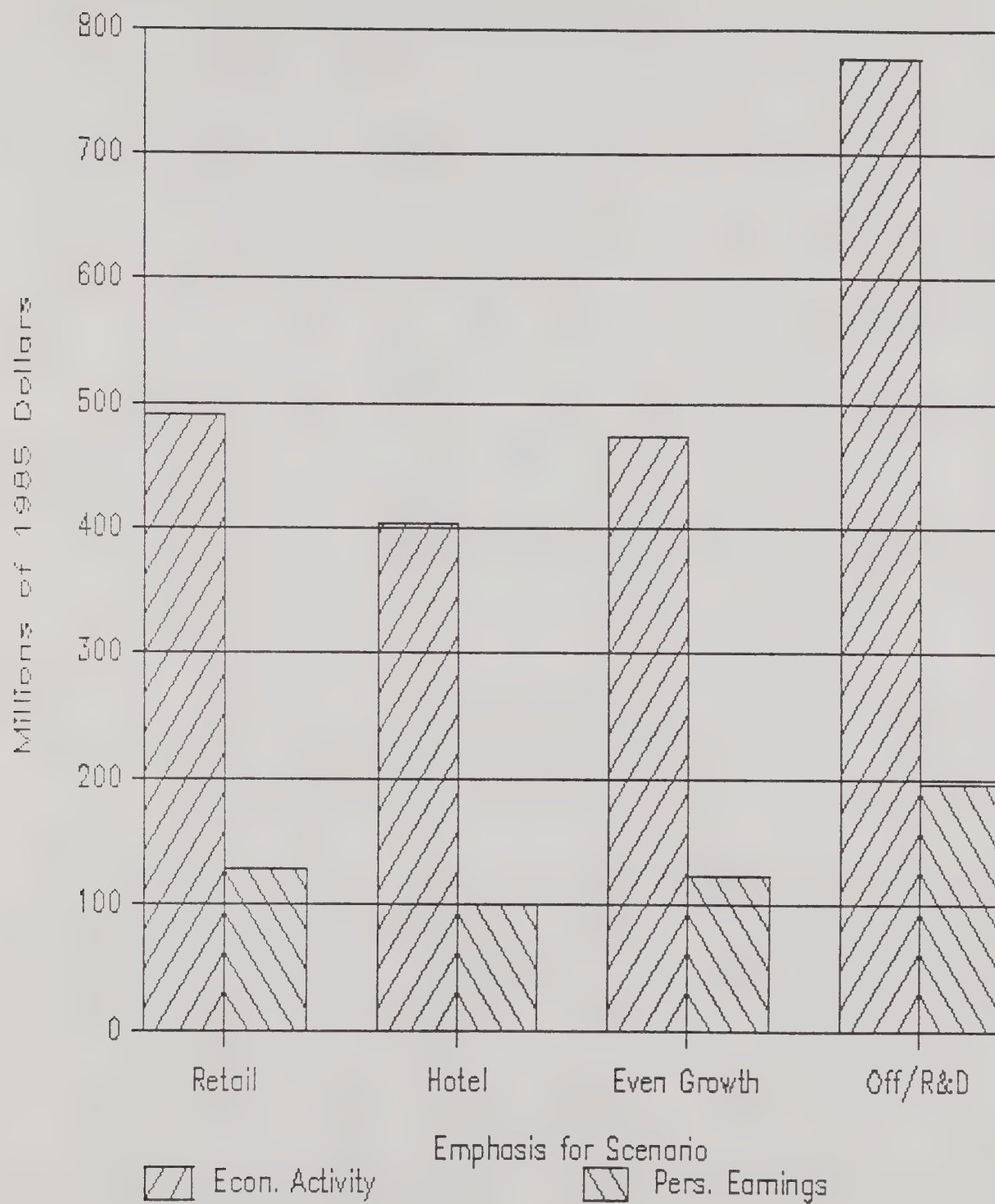
- As with job, population, and housing impacts, the largest total economic impact is found in Scenario 4.
- Scenario 2 (hotel emphasis) generates the lowest economic impact.
- Only a third to a quarter of total economic activity eventually becomes personal earnings, and the relative amounts of personal earnings among scenarios closely parallels that of total economic activity.

Transportation System Impacts

From the distribution of land use among the three major areas of the city, average daily traffic (ADT) and pm peak hour traffic for each scenario

FIGURE 3

Total Economic Impacts



was calculated. Absolute increases in traffic volumes over existing conditions are presented in Figure 4.

- All four scenarios generate similar traffic impacts in the Waterfront area.
- Scenario 2 (hotel emphasis) generates the lowest traffic impact in Downtown and Outer State Street.
- Scenario 1 (retail emphasis) generates the greatest ADT Downtown and along Outer State Street.
- During the pm peak hour, Scenario 4 (office/R&D emphasis) would generate as much Downtown traffic as Scenario 1.

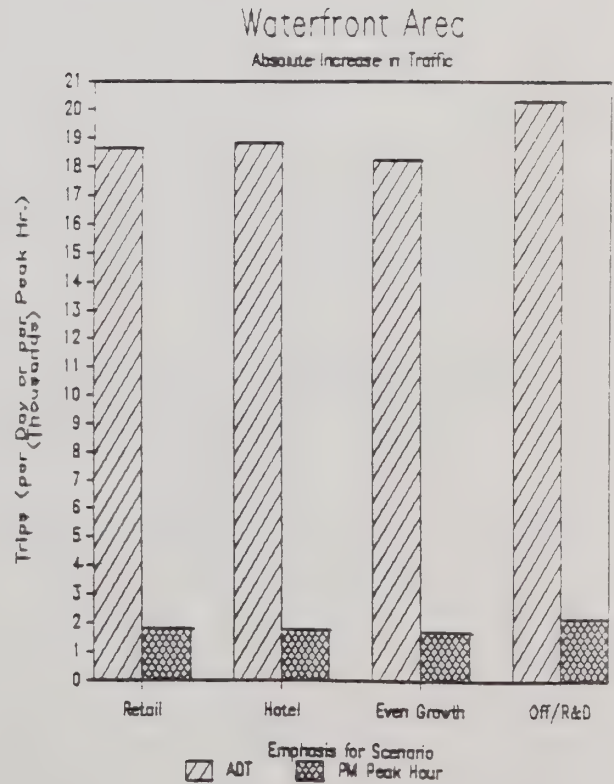
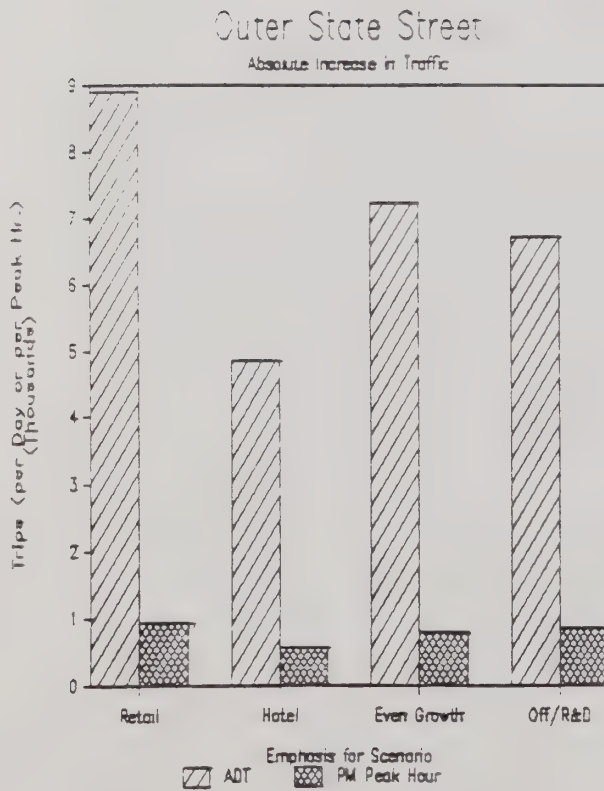
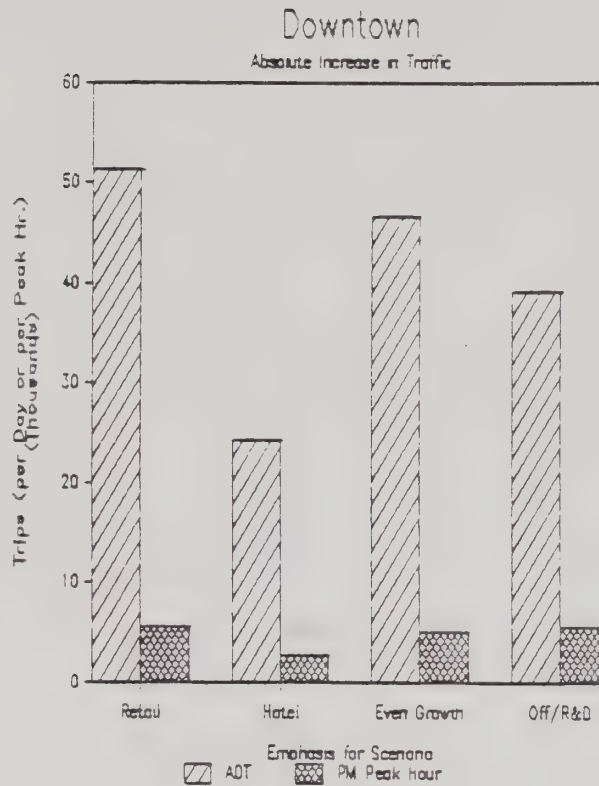
The significance of these variations depends upon the available traffic capacity in each of the areas.

- The small increases in peak hour trips from the retail and office scenarios in the Downtown are nonetheless significant adverse impacts due to the severe lack of existing traffic capacity in that part of the City.
- Currently proposed improvements in Outer State Street and the Waterfront will help maintain capacities in these areas (although preliminary environmental reports suggest excess capacities may be absorbed quickly).

The costs of making transportation improvements will be significant. The city has been planning to handle the level of traffic projected in Scenario 3, and the six-year capital budget has programmed the following approximate costs:

- \$3 million Downtown;
- \$9 million along Outer State Street; and
- \$1 million in the Waterfront Area.

FIGURE 4



However, not all of these programmed costs are currently funded, and costs and methods of improvements are subject to revision in new studies currently underway.

Due to its consistency with previous planning studies, Scenario 3 forms the best basis for discussing the capital costs of transportation improvements across scenarios.

- To the extent that Scenarios 1 and 4 increase peak hour traffic volumes Downtown, the capital costs of expanding capacity to handle that traffic are likely to be greater than in Scenario 3.
- On the other hand, there are only so many things which can be done to expand street capacity short of major changes which would change the character of Downtown (such as tearing up sidewalks or knocking down buildings to widen streets). As it becomes more difficult to expand capacity, scenarios which generate higher traffic volumes will generate greater traffic congestion in real terms.
- In this sense, both the retail scenario and the office/R&D scenario are likely to generate more capital costs and/or more Downtown rush hour congestion than the even distribution of growth which the City has already been planning for.

Analysis of Fiscal Impacts

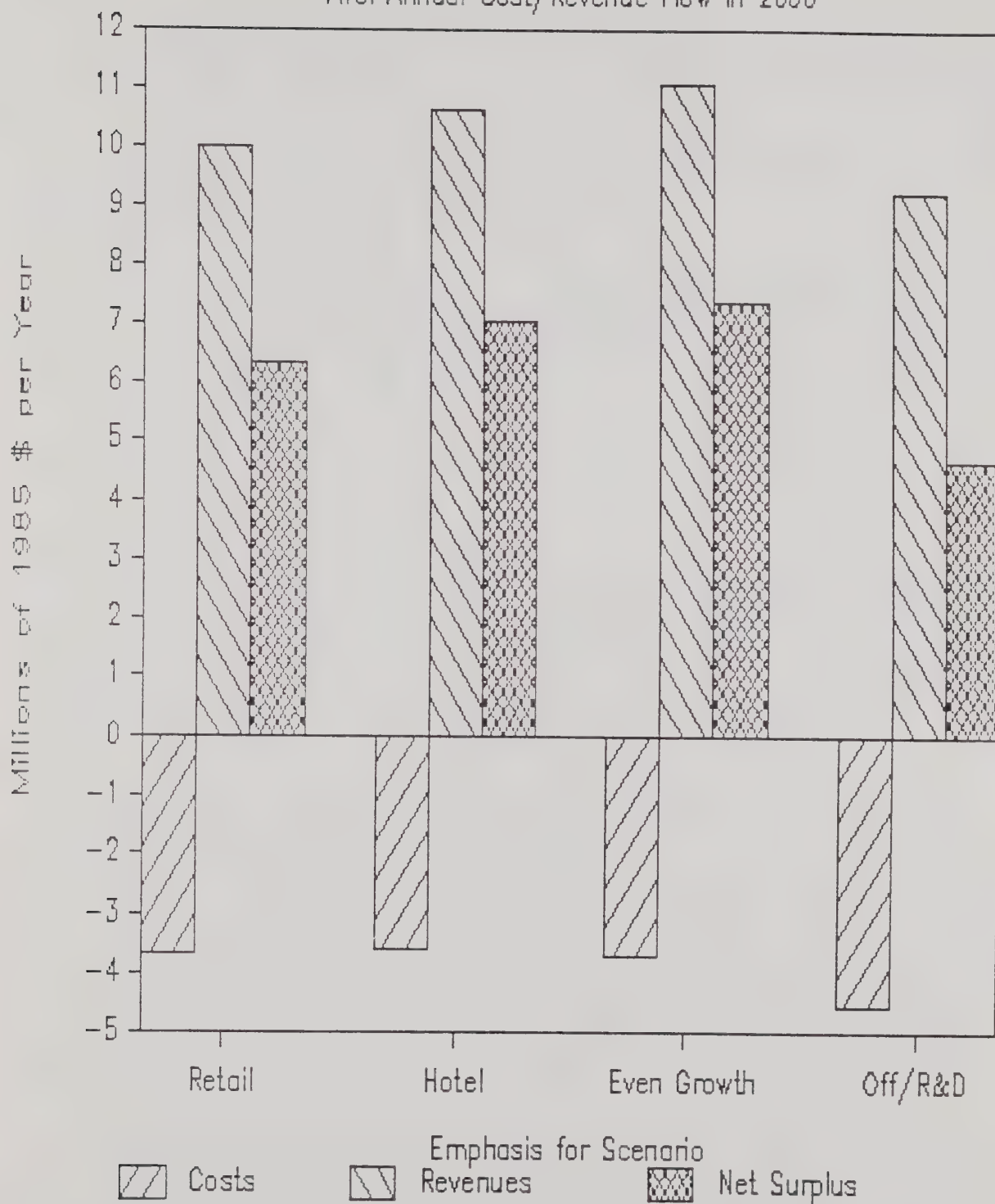
Figure 5 presents a comparison of fiscal impacts across scenarios measured in terms of the average annual cost/revenue flow in the year 2000 (in constant 1985 dollars).

- The cost/revenue flows in Figure 4 refer only to the additional fiscal impacts imposed by the additional real estate development.

FIGURE 5

Fiscal Impacts

Ave. Annual Cost/Revenue Flow in 2000



- Figure 5 does not include one-time capital costs such as the \$10 to \$15 million in transportation improvement discussed above.
- Other capital needs of the city which are required by all scenarios (such as a new dam or other water system development) are also not included.

Scenario 4 (emphasizing office and R&D development) has the largest impact on municipal service costs.

- This negative finding is compounded by the finding that the Scenario 4 also generates the lowest revenue stream for the City. Consequently, Scenario 4 generates the lowest net fiscal surplus of all four scenarios.
- The highest fiscal surplus is generated by the even growth scenario.

Suggestions for Policy Makers from the Analysis of Growth Alternatives

The choice among alternative futures described by the scenarios obviously depends upon which impacts one values. Such value judgments must ultimately be left to the political leadership in Santa Barbara. A few obvious comparisons between scenarios are made here.

Scenario 4, emphasizing intensive office and industrial/R&D development, generates the greatest number of jobs, and the greatest economic impact in terms of total activity and in terms of new earnings for Santa Barbara residents. On the other hand, the same scenario generates the greatest population increase and the greatest Downtown rush hour traffic, places the most intense pressure on the Santa Barbara housing market, postulates the greatest building volume among the scenarios and generates the smallest fiscal surplus for on-going City operations.

Scenario 3, emphasizing an even distribution of growth, constitutes a good reference point when evaluating the other two scenarios. Scenario 3 generates the second highest visitor spending impacts, but is relatively "middle of the road" in generating population, housing demand, job creation,

and traffic. The largest ongoing fiscal surplus is available under Scenario 3, however.

Scenario 2, emphasizing hotel development, generates the largest volume of visitor spending, the lowest volume of traffic, and the lowest population impact (and lowest housing need); but also attracts the greatest number of visitors into the area, and creates the lowest overall economic impact and earnings impact among the four scenarios.

Scenario 1, in spite of its intensive retail building, generates only slightly more economic impact and earnings than does the even growth scenario. In return it creates a slightly greater population and housing impact, and generates less fiscal surplus for the City.

CONCLUSIONS

Scenario 4 is a "high impact" and rapid growth inducing alternative. The impacts of the first three scenarios are very similar to one another. For example, based upon the evaluations in Part A of this study, as well as Part B, ERA does not believe that sufficient economic rationale exists for the City of Santa Barbara to adopt growth control policies which heavily discriminate against hotel development relative to other uses. If policy makers severely restrict additional hotel development within the City of Santa Barbara, new and more competitive projects will simply be built outside the city limits. In that event, Santa Barbara will begin catering to a gradually declining strata of the tourist market as existing facilities continue to age. That course of events could result in substantial social and fiscal costs for the City which are not readily apparent today.

If the lack of additional water supply is a finite limit to growth and water conservation through regulatory or pricing policies does not provide a realistic alternative, ERA would suggest that Santa Barbara consider a comprehensive growth management system which evaluates development projects on the basis of community objectives rather than discriminates simply on the basis of use. The evaluation criteria should

incorporate water use, peak hour traffic generation, local population and visitor growth inducing impacts, contribution to the local economy, fiscal impact on the City, site planning and architecture. The relative weight of each criteria needs to be determined by policy makers reflecting the values of Santa Barbara as a community.

If a comprehensive growth management system is not a viable concept for Santa Barbara, ERA would then suggest that the City adopt more stringent planning, zoning and development standards which screens projects on the basis of quality and other community objectives. Part A has suggested some areas where these more stringent standards could be applied to new hotel development.

PART A

**THE HOTEL AND CONFERENCE INDUSTRY
IN THE SOUTH COAST AREA**

**PREPARED FOR
THE CITY OF SANTA BARBARA**

**PREPARED BY
ECONOMICS RESEARCH ASSOCIATES
680 BEACH STREET, SUITE 370
SAN FRANCISCO, CALIFORNIA 94109
(415) 775-3170**

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INTRODUCTION

The tourism and hotel industry has been one of the cornerstones of the economy of the South Coast Area. This industry contributes jobs, income, taxes and profits. Both the Santa Barbara Community and the City Administration would like to continue to enjoy the fruits of tourism. However, in recent months the community has become increasingly concerned that the charming and small town flavor of Santa Barbara, which makes it appealing to residents and visitors alike, will be overwhelmed by rampant hotel construction and masses of tourists and conventioners. This concern is not at all surprising in light of the fact that 650 hotel or motel rooms have been added to the South Coast Area over the past five years and nearly 1,400 rooms have been approved for construction. If all are built, it would represent a 57 percent increase in the total South Coast Area hotel/motel room inventory since 1980.

Because of this concern, the City of Santa Barbara has retained Economics Research Associates (ERA) to prepare two studies: the first (presented as Part A) is a study of the South Coast hotel and convention industry and the second (presented as Part B) is a comparison of growth alternatives available to Santa Barbara including the comparison of a strategy which emphasizes hotel development to other possible strategies. This paper is the first study and it covers the following:

- An analysis of the current status of the South Coast hotel/motel industry.
- An evaluation of how market forces have shaped the supply of hotel facilities.
- A discussion of the conference or convention market and how it relates to Santa Barbara.

- A discussion of the implications of strategies that will either encourage or limit additional hotel/conference facility development within Santa Barbara.
- Suggestions of possible actions by the City of Santa Barbara which best serve the community's long term interests.

The comparison of the hotel development alternative to other growth alternatives is presented in Part B of this series of studies.

Section I

EXECUTIVE SUMMARY TO PART A

STUDY FINDINGS

The important findings resulting from the research and analysis presented in the report are summarized below:

- The hotel inventory in the South Coast Area and particularly in the City of Santa Barbara is characterized by a large number of smaller and older properties. These properties tend to be locally owned and employ local residents.
- A portion of this inventory is clearly vulnerable to competition from new, large scale and well capitalized properties operated by national chains.
- From 1966 through 1980, the South Coast hotel market can be characterized by steady demand build-up but no supply increase.
- During the late 1970s and early 1980s the industry enjoyed nearly a decade of exceptional prosperity due to rapid demand growth and high occupancy rates.
- Since 1980, approximately 650 rooms have been added and an additional 1,400 rooms have been approved for construction.
- If the approved units are all constructed, average occupancy will drop from the high 70 percent range in the early 1980s to the high 60 percent range in the late 1980s.
- The much more intense competition expected during the late 1980s will discourage additional development, encourage stronger existing properties to upgrade to remain competitive, and force weaker properties from the market place.
- During 1980, Santa Barbara had approximately three-quarters of the South Coast hotel inventory, but less than half of the 2,000

units built or expected to be built during the 1980s will be in Santa Barbara.

- Santa Barbara does not enjoy its share of the more affluent segments of the visitor market. The average gross hotel revenue per room per year is \$14,200 in the South Coast market but is only \$12,800 in Santa Barbara.
- If surrounding communities build new inventory while Santa Barbara does not, the City's position will deteriorate further. That deterioration, over time, could result in social and fiscal costs which are not readily apparent today.
- If Santa Barbara decided to target meetings under 100 people in size, it would still be able to compete for 45 to 47 percent of the total meetings market. Approximately 80 percent of these smaller meetings would be corporate meetings, and these are typically the meetings attended by individuals with higher spending patterns.
- Hotels build conference space primarily to boost off-peak occupancy. The current South Coast hotel market is characterized by excess demand on weekends and strong demand during much of the summer. Weekday demand, except during the peak summer months, tends to be soft. Hotels which are large enough to accommodate groups and offer conference space are able to offset the weekday vacancies by promoting group business. The resulting higher rate of year round occupancy facilitates the amortization of capital cost and the provision of higher value service to customers.

SUGGESTIONS FOR POLICY MAKERS

Given the conflicting objectives of avoiding over concentration of hotel development, protecting the interests of locally owned small

businesses and serving the long term economic and fiscal interest of the community, ERA suggests the following policies for the City of Santa Barbara:

- The City should not place an absolute ceiling on the number of hotel rooms permitted. In the near term future (3 to 5 years) such a ceiling appears unnecessary as the anticipated over-supply will discourage further construction. The removal of the threat of an absolute ceiling will also relieve pressure for near term development. Currently, we suspect developers are accelerating projects ahead of market support with the expectation of "now or never." Such a ceiling would retard the replacement of obsolete inventory with new higher quality projects. The aging of inventory weakens Santa Barbara's competitive position over time.
- The City should limit hotel/motel development, through zoning or other means, to areas which encourage high quality hotel development and which minimize the tourist versus resident land use conflict. Small bed and breakfast inns could be exempted.
- The City should establish maximum densities for hotel or motel development. Separate density standards should be established for the Central Business District and other portions of the City. High density and high concentration accelerate the decline of any tourist destination which derives its appeal from natural beauty, tranquility and charm.
- In addition to maximum density standards, Santa Barbara has good reason to establish maximum size limits for hotel projects. Limiting the size of new hotel projects serves to reinforce the intimate scale of Santa Barbara; it also softens the competitive impact on existing small operators by reducing the interest of some of the national chains. With fewer major national chain operated properties in the market place, redevelopment and renovations of locally owned facilities are more likely. We

suggest that the size limit be 250 to 350 units in the Central Business District and 180 to 250 units outside the CBD. A much lower limit would place new Santa Barbara projects at a disadvantage relative to projects outside the City.

- Conference facilities are built to enhance room occupancy. If hotel sizes are limited, the City has little need to limit the amount of meeting space. If the City wishes to be doubly certain, it could limit the amount of meeting space to 40 to 45 square feet per guest room.
- The City should consider minimum open space, room size, lobby area, landscaping and below grade or under the building parking requirements along with maximum densities for new hotel projects to insure that future projects are of a high quality. CBD and non-CBD projects should have different standards.
- The City needs to establish whether the expansion of existing hotel properties needs to conform to new development standards.

Section II

THE SOUTH COAST HOTEL MARKET

THE EXISTING INVENTORY

The South Coast Area currently has 92 hotel properties with a total of 4,178 guest units. Of this total, 77 properties and 2,697 units are in the City of Santa Barbara. These properties in Santa Barbara are small, with 35 units as an average size. The other South Coast communities of Carpinteria, Montecito and Goleta have fifteen properties and 1,481 units. Their average size of 99 units is much larger than that of Santa Barbara (see Tables II-1 and II-2).

The existing hotel inventory has very limited meeting, banquet or conference facilities. Total conference space is approximately 60,000 square feet and a majority of that is found at three properties: the Sheraton Santa Barbara (10,600 square feet), the Miramar (11,700 square feet) and The Santa Barbara Biltmore (13,000 square feet). The latter two properties are in Montecito. Individual properties in slightly larger markets, such as Marriott's Desert Resort in Palm Springs or the Hotel Del Coronado in Coronado, offer as much meeting space as the total currently available in the South Coast Area.

The limited amount of conference space reflects the scarcity of conference or convention size hotels which typically have 200 or more rooms. The South Coast Area has three properties with over 200 rooms, and they are the Biltmore (229), the Sheraton (204) and the Miramar (200). Four others have over 150 rooms, and these are the El Escorial Hotel (156), the Pepper Tree Motor Inn (150), the Carpinteria Inn (152) and the Holiday Inn in Goleta (156). The other 85 properties average 34 guest units each.

Table 11-1

CITY OF SANTA BARBARA HOTEL INVENTORY

	Hotel	Address	Number of Units	Room Rates Single Occupancy		Meeting Space (Square Feet)	Year Built
				High	Low		
1	Adobe Motel	26 E. Haley	17	NA	NA	None	1984
2	Alamar Motel	102 North Cabrillo Blvd.	15	\$45	\$32	None	Before 1940
3	Alpine Motel	2824 State Street	9	\$45	\$24	None	NA
4	Ambassador By The Sea	202 West Cabrillo Blvd.	32	\$74	\$48	None	1941-1950
5	Arlington Inn	1136 De La Vina	43	\$85	\$50	1,000	Before 1940
6	Bath Street Inn	1720 Bath Street	7	\$70	\$50	None	Before 1940
7	The Bayberry Inn	111 West Valerio Street	5	NA	NA	None	Before 1940
8	Beach House Hotel	320 West Yanonali Street	12	\$55	\$25	None	1941-1950
9	Blue Quail Inn	1908 Bath Street	8	\$75	\$36	None	Before 1940
10	Blue Sands Motel	421 South Milpas Street	11	\$82	\$32	None	NA
11	Brinkerhoff Inn	523 Brinkerhoff	5	\$98	\$65	None	Before 1940
12	Californian Hotel	35 State Street	30	\$35	\$20	None	NA
13	Cheshire Cat Inn	36 West Valerio Street	10	NA	NA	None	Before 1940
14	Coast Village Inn	1188 Coast Village Road	24	\$60	\$38	None	Before 1940
15	Colonial Motel	206 Castillo Street	21	\$90	\$32	None	NA
16	Cottage Motel	2319 Castillo Street	20	\$24	\$20	None	NA
17	Eagle Inn	232 Natoma Avenue	11	\$65	\$25	NA	NA
18	El Encanto Hotel and Villas	1900 Lasuen Road	100	\$320	\$70	4,500	Before 1940

	Hotel	Address	Number of Units	Room Rates		Meeting Space (Square Feet)	Year Built
				Single High	Occupancy Low		
19	El Escorial Hotel	625 Port La Mar Circle	156	\$125	\$55	500	NA
20	El Patio (Best Western)	336 West Cabrillo Blvd.	60	\$75	\$35	NA	NA
21	El Prado Motor Inn	1601 State Street	66	\$80	\$40	None	NA
22	Encina Lodge (Best Western)	2220 Bath Street	119	\$74	\$46	None	1956
23	Faulding Hotel	15 East Haley Street	30	\$18	\$14	None	NA
24	Franciscan Inn	109 Bath Street	53	\$87	\$45	None	Before 1940
25	Glenborough Inn	1327 Bath Street	8	\$95	\$35	None	Before 1940
26	Ha'Penny Inn	711 West Cota	70	\$29	\$25	None	NA
27	Hacienda Motel	3643 State Street	31	\$44	\$32	None	1951-1960
28	Harbor House	104 Bath Street	10	NA	NA	NA	NA
29	Harbor View Inn	28 West Cabrillo Blvd	64	\$84	\$69	None	NA
30	Holiday Lodge	2825 State Street	11	\$42	\$38	None	NA
31	Hope Ranch Motel	4111 State Street	16	\$50	\$14	None	1941-1950
32	Hotel De Riviera	125 West Carrillo	31	\$40	\$23	None	NA
33	King's Inn	128 Castillo Street	45	\$46	\$36	None	NA
34	L-Rancho Motel	316 West Montecito	22	\$50	\$30	None	1951-1960
35	La Playa Motel	212 West Cabrillo Blvd.	22	NA	NA	NA	NA

	Hotel	Address	Number of Units	Room Rates Single Occupancy		Meeting Space (Square Feet)	Year Built
				High	Low		
36	Marina Beach Motel	21 Bath Street	28	\$80	\$26	None	Before 1940
37	Ming Tree Motel	930 Orilla Del Mar	39	\$100	\$46	None	1941-1950
38	Modoc Hotel	4455 Hollister Avenue	8	\$24	\$24	None	NA
39	Motel 6	443 Corona Del Mar	52	\$16	\$16	None	NA
40	Motel 6	3505 State Street	60	\$16	\$16	None	1961-1970
41	Mountain View Inn	3055 DeLaVina	34	\$53	\$40	None	1961-1970
42	Oak Lodge Motel	302 West Mission Street	5	\$44	\$36	None	NA
43	Ocean Palms Motor Lodge	232 West Cabrillo Blvd.	32	\$250	\$58	None	1941-1950
44	Old Yacht Club Inn/ Hitchcock House	431 Corona Del Mar 427 Corona Del Mar	9	\$75	\$45	400	Before 1940
45	Olive House	1604 Olive Street	6	\$80	\$40	500	Before 1940
46	Pacific Crest Motel	433 Corona Del Mar Drive	24	\$46	\$28	None	1941-1950
47	Pacific Park Motel	122 West Cabrillo Blvd.	19	\$90	\$28	None	NA
48	Parsonage	1600 Olive Street	5	\$90	\$40	None	Before 1940
49	Pepper Tree Motor Inn	3850 State Street	150	\$68	\$50	3,000	1961-1970
50	Polynesian Motel	433 West Montecito Street	41	\$42	\$30	None	1961-1970
51	Presidio Motel	1620 State Street	16	\$31	\$28	None	1951-1960
52	Red Rose Inn	1416 Castillo	4	\$65	\$45	None	Before 1940
53	Sahara Motel	2800 State Street	10	\$35	\$25	None	NA

	Hotel	Address	Number of Units	Room Rates		Meeting Space (Square Feet)	Year Built
				Single High	Occupancy Low		
54	Sandman at the Beach	18 Bath Street	19	\$60	\$35	None	Before 1940
55	Sandman Inn	3714 State Street	114	\$58	\$50	1,500	1951-1960
56	Sandpiper Lodge	3525 State Street	75	\$42	\$36	None	NA
57	San Roque Motel	3344 State	32	\$50	\$30	None	NA
58	Santa Barbara Inn	435 South Milpas Street	71	\$120	\$65	NA	1951-1960
59	Schooner Inn	533 State Street	30	\$50	\$25	None	NA
60	Sheraton Santa Barbara Hotel & Spa	1111 East Cabrillo Blvd.	204	\$119	\$45	10,600	NA
61	Southern Hotel	121 State Street	12	\$30	\$25	None	NA
62	State Motel	2904 State Street	7	\$30	\$21	None	NA
63	Sunset Motel	3504 State Street	12	\$34	\$26	None	NA
64	Tahitian Motor Lodge	1029 Orilla Del Mar	32	\$70	\$40	None	1941-1950
65	Tides Motel	116 Castillo	24	\$55	\$36	None	NA
66	Travelers Motel	3222 State Street	13	\$52	\$28	None	1961-1970
67	Travelodge Beach	22 Castillo	19	\$43	\$33	None	NA
68	Travelodge City Center	1816 State Street	23	\$56	\$33	None	NA
69	Tropicana Motel	223 Castillo Street	30	\$60	\$40	None	1961-1970
70	Upham Hotel	1404 DeLaVina	38	\$65	\$65	1,500	Before 1940

	Hotel	Address	Number of Units	Room Rates		Meeting Space (Square Feet)	Year Built
				Single High	Occupancy Low		
71	Vagabond Midtown	1920 State Street	46	\$50	\$35	None	NA
72	Vagabond Motor Hotel	2819 State Street	55	\$55	\$35	None	NA
73	Valerio Manor	111 West Valerio	5	\$75	\$45	NA	NA
74	Villa Motel	3885 State Street	12	\$60	\$24	None	1951-1960
75	Villa Rosa	15 Chapala Street	18	\$140	\$70	None	Before 1940
76	West Beach Inn	306 West Cabrillo Blvd.	44	\$98	\$76	None	1951-1960
77	Western Village Motel	109 Bath Streets	26	\$35	\$20	None	NA
Total Santa Barbara			2,697			23,500 ^{1/}	

^{1/}This figure is approximate; not all facilities reporting meeting rooms supplied square footage figures

Source: Santa Barbara Conference & Visitors Bureau and Economics Research Associates

Table II-2

OTHER SOUTH COAST COMMUNITIES HOTEL INVENTORY

<u>Hotel</u>	<u>Address</u>	<u>Number of Units</u>	<u>Room Rates</u>		<u>Meeting Space (Square Feet)</u>	<u>Year Built</u>
			<u>Single Occupancy High</u>	<u>Low</u>		
All Star Inn	5550 Carpinteria Avenue Carpinteria, CA	138	NA	NA	None	1984
Carpinteria Inn	4558 Carpinteria Avenue Carpinteria, CA	152	NA	NA	None	1985
Casa Del Sol Motel	5585 Carpinteria Avenue Carpinteria, CA	21	\$40	\$25	None	NA
Dixon's Hollister Inn	6021 Hollister Avenue Goleta, CA	64	\$55	\$37	None	1967
Eugenia Motel	5277 Carpinteria Avenue Carpinteria, CA	10	\$20	\$20	None	1941-1950
Holiday Inn	5650 Calle Real Goleta, CA	156	\$58	\$58	3,700	1969
Miramar Hotel Motel	1555 South Jameson Lane Montecito, CA	200	\$86	\$32	11,700	Before 1940
Montecito Inn	1295 Coast Village Road Montecito, CA	60	\$85	\$60	900	Recently remodeled
Motel 6	4200 Via Real Carpinteria, CA	124	\$16	\$16	None	1981
Motel 6	5897 Calle Real Goleta, CA	88	\$16	\$16	None	1964
Pilot House Motel	1 Sandspit Road Goleta, CA	24	\$36	\$26	None	1961-1970
Reef Motel	4160 Via Real Carpinteria, CA	50	\$38	\$32	None	1961-1970
Santa Barbara Biltmore	1260 Channel Drive Montecito, CA	229	\$180	\$110	13,000+	NA
San Ysidro Ranch	900 San Ysidro Lane Montecito, CA	39	\$298	\$98	4,000	Before 1940
Turnpike Lodge	4770 Calle Real Goleta	126	\$54	\$46	2,000	1972
Total Other South Coast		1,481			35,300	
Grand Total		4,178			58,800	

Source: Santa Barbara Conference & Visitors Bureau and Economics Research Associates

SURVEY RESULTS

In order to develop the depth of understanding needed for this study, ERA with City assistance distributed a questionnaire to the proprietors or managers of 84 hotels in the South Coast Area. Fifty two of the questionnaires were returned. From these responses, the following characteristics of this industry were identified:

- o The typical property is small. Over 71 percent of the respondents indicated they had 50 rooms or less.
- o A large majority (77 percent) do not have any meeting or banquet space.
- o A majority (56 percent) of the properties are old, built before 1951.
- o Two-thirds of the respondents indicated that their properties have been rehabilitated during the past 15 years.
- o Nearly 90 percent (28 out of 32) of those indicating rehabilitation did so since 1980.
- o A few of the properties (7 out of 51) have been expanded during the past 15 years.
- o The typical guest party has two individuals and stays two nights.
- o Friday and Saturday nights and the months of July and August are the most popular with guests.
- o Local ownership appears to correlate with the smaller size of the properties. Seventy eight percent of the owners live in Santa Barbara County and 58 percent live in the City of Santa Barbara.
- o For the past twelve months the average occupancy rate of the respondents was 72 percent and the average effective room rate was \$59.

- o The client mix by type is 55 percent tourists, 21 percent business visitors, 9 percent conventioners and 15 percent visiting for other reasons.
- o The client mix by geography is 57 percent Southern California, 20 percent other California, 15 percent other United States and 8 percent foreign.
- o The respondents had an average of 15.2 full time and 7.3 part time employees. If the part-time employees are assumed to be half time, they averaged 0.5 full-time equivalent employees per room.
- o The mean salary of the full time employees was \$11,000 and the mean salary of the part time employees was \$5,000.
- o Although the average pay was low, the education level of the employees varied widely: some high school (25 percent), high school graduate (26 percent), some college (20 percent), college graduate (20 percent) and post graduate (9 percent).
- o Two thirds of the respondents indicated that their hotel employees live in the City of Santa Barbara and 82 percent live within the South Coast Area.
- o The most commonly voiced complaints by the hotel owners and operators were that the Occupancy Tax is too high and that too small a percentage is being spent on promotion. Some of the weaker properties were concerned with additional competition and declining occupancy.
- o The strengths of this industry are location, beach, weather and proximity to the Los Angeles market. The proximity to Los Angeles contributes to peaking of demand on weekends, a problem for this industry because weekend demand is excessive and weeknight demand often insufficient.

In summary, the hotel inventory in the South Coast Area and particularly in the City of Santa Barbara is characterized by a large number of smaller and older properties. It is very much a local industry in that a majority of the owners and employees are local residents. As the analysis in the next section will demonstrate, this industry has enjoyed an extended period of prosperity. However, even with remodeling, the older facilities will have an upside limit in terms of market reach, and the small number of units per property limits economies of scale in operation. A portion of the existing inventory is clearly vulnerable to competition from new, large scale, well capitalized and professionally operated properties affiliated with national chains such as the Hyatt or Red Lion.

TRENDS IN THE SOUTH COAST MARKET

During the fifteen year period from 1966 through 1980, the South Coast hotel market can be characterized by steady demand build-up but no net supply increase. According to the Santa Barbara Conference and Visitors Bureau, the South Coast hotel/motel inventory was approximately 3,600 rooms in 1966. The estimated inventory in 1980 was 3,550 rooms. Although some new construction did take place during this period, more units were either demolished for alternate uses or converted to long term rental housing.

This lack of supply growth from the late 1960s to about 1980 was not consistent with the picture on the demand side. Using transient lodging tax collections to compute gross room revenues, ERA has determined that effective hotel demand has increased steadily and rapidly since the mid 1970s. From 1975 through 1984 total hotel room revenue has increased more than four fold. The average annual percentage increase in gross room revenue during this period was 17.9 percent (see Table II-3).

The occupancy statistics provide further evidence of strong demand relative to supply. As shown in Table II-4, average hotel or motel occupancy rates have consistently been in the 74 to 79 percent range since

Table II-3

GROSS HOTEL/MOTEL ROOM REVENUE IN THE
SOUTH COAST AREA
(Thousands of Dollars)

<u>Year</u>	<u>Santa Barbara</u>	<u>Goleta</u>	<u>Montecito</u>	<u>Carpinteria</u>	<u>Total South Coast</u>	<u>Percentage Change</u>
1970	\$ 4,774	\$1,123	\$ 1,307	\$ 247	\$ 7,451	--
1971	4,810	1,307	1,484	253	7,854	5.4%
1972	5,155	1,530	1,713	288	8,686	10.6
1973	5,380	1,777	1,912	345	9,414	8.4
1974	6,038	1,988	2,127	387	10,540	12.0
1975	7,077	2,136	2,683	448	12,344	17.1
1976	8,138	2,202	3,257	461	14,058	13.9
1977	9,760	2,688	4,167	473	17,088	21.6
1978	12,067	2,876	5,222	486	20,651	20.9
1979	14,588	3,216	6,414	499	24,717	19.7
1980	17,940	3,744	7,552	556	29,792	20.5
1981	22,220	4,247	8,942	885	36,294	21.8
1982	24,718	4,612	9,905	1,315	40,550	11.7
1983	28,430	5,311	10,267	1,473	45,451	12.2
1984	33,737	5,987	12,907	1,930	54,561	20.0
1985 est.	36,267	6,197	14,198	2,521	59,183	8.5

Source: City of Santa Barbara, County of Santa Barbara, City of Carpinteria, and
Economics Research Associates

Table II-4

SOUTH COAST HOTEL-MOTEL OCCUPANCY RATE

<u>Year</u>	<u>Peak Month August</u>	<u>Lowest Month December</u>	<u>Average for Year</u>
1973	86%	47%	63%
1974	89	51	64
1975	93	49	68
1976	91	51	72
1977	92	60	75
1978	92	59	77
1979	93	66	77
1980	97	58	78
1981	95	55	79
1982	95	52	74
1983	93	65	77
1984	83	57	76

Source: Santa Barbara Conference and Visitor Bureau Survey

1977. Even during 1982, a very severe recession year, the industry average was 74 percent.

Since in this industry the break-even occupancy rate is typically in the 65 to 70 percent range, the South Coast hotel and motel industry has enjoyed nearly a decade of exceptional prosperity. It is unusual for any hotel market to sustain such an extended period of high occupancy. Typically, two or three years of high occupancy will lead to a rash of new construction.

The tardiness of market response to sustained demand pressure during this period, we suspect, can be attributed to a combination of two factors: the difficulty of securing development approvals and the small size of market. Major hotel chains are typically only interested in projects with at least 250 rooms. The South Coast market had no properties over 200 rooms until very recently to demonstrate that larger properties could be successful.

SANTA BARBARA'S MARKET POSITION

Even with little major project construction, the City of Santa Barbara has been able to maintain its share of the total South Coast hotel revenue reasonably well. As presented in Table II-5, Santa Barbara's share dropped sharply from 1970 to 1975 but has climbed back to nearly the 1970 level since. Goleta's market share has dropped steadily since 1975, but construction of the 500 room Hyatt resort and conference hotel, unless scaled back by the State Coastal Commission, will dramatically reverse that decline. Montecito has performed well over the past decade, and Carpinteria has increased its share with the construction of three new projects since 1980.

Although Santa Barbara has held its own reasonably well in terms of total market revenue, it clearly does not enjoy its share of the more affluent segments of the market. As shown in Table II-6, the average gross revenue per room in the South Coast market during 1985 is estimated to be

Table II-5

SANTA BARBARA'S SHARE OF SOUTH
COAST HOTEL GROSS REVENUE

	<u>Santa Barbara</u>	<u>Goleta</u>	<u>Montecito</u>	<u>Carpinteria</u>	<u>Total</u>
1970	64.1%	15.1%	17.5%	3.3%	100%
1975	57.3	17.3	21.7	3.6	100
1980	60.2	12.6	25.3	1.9	100
1985 est.	61.3	10.5	24.0	4.3	100

Source: City of Santa Barbara, County of Santa Barbara, and City of
Carpinteria

Table II-6

HOTEL REVENUE PER ROOM BY COMMUNITY

	<u>Estimated 1985 Room Revenue</u>	<u>Number of Rooms</u>	<u>Revenue Per Room</u>
Santa Barbara	\$36,267,000	2,823	\$12,847
Goleta	\$6,197,000	332	\$18,666
Montecito	\$14,198,000	528	\$26,890
Carpinteria	\$2,521,000	495	\$5,093
Total South Coast	\$59,183,000	4,178	\$14,165

Source: Tables 1, 2 and 3

\$14,200; in Santa Barbara it is only \$12,800. The Montecito area leads with \$26,900 per room, and the Goleta area is second with \$18,700 per room. Carpinteria is the only South Coast community with lower per room revenue, and that figure is diluted because the 152 unit Carpinteria Inn was just completed and will not have a full year of operation. Due to the preponderance of smaller and older facilities, Santa Barbara is being relegated into the second echelon of the South Coast hotel market. Because of the difference in quality, approximately two hotel rooms are needed in Santa Barbara to generate the same order-of-magnitude economic benefits as a single room could generate in Montecito. If other communities which compete with Santa Barbara build new higher quality facilities in the future and Santa Barbara does not, its position would deteriorate further.

RESPONSE OF THE DEVELOPMENT COMMUNITY

The high occupancy rates combined with the steady and rapid increase in room revenues have encouraged real estate developers and hotel operators to develop projects in the South Coast market. The development interest has been intensified by the expectation that the City of Santa Barbara may, in the near future, severely restrict additional hotel development. In such an event, those in the market place would enjoy restricted competition and higher returns, and those not already in the market place would be excluded from participation.

Since 1980, the South Coast market has already added 646 rooms. Three reasonably large projects totaling 414 units have been built in Carpinteria. The other additions were primarily expansion or conversion of existing properties. The additions since 1980 are listed below:

<u>Name</u>	<u>Units</u>	<u>Community</u>
All Star Inn	138 New	Carpinteria
Motel 6	124 New	Carpinteria
Carpinteria Inn	152 New	Carpinteria
Santa Barbara Biltmore	59 Expansion	Montecito
Sheraton Santa Barbara	44 Expansion	Santa Barbara
El Escorial	56 Conversion	Santa Barbara
Smaller Projects	<u>73</u> Both	Santa Barbara
Total	646	

This inventory expansion has caused the average occupancy rate to drop from 79 percent in 1981 to an estimated 75 percent for 1985 even though demand has grown over this period.

In addition to the 646 units already completed, several other projects are expected over the next three or four years:

- A 27 unit Cypress Tree motel is under construction in Carpinteria and should be open in late 1985.
- Hyatt has secured approvals to construct a 400 room resort hotel and conference center just west of Goleta. The complex will include 400 rooms, a 45,000 square foot conference facility, a health club, two restaurants and four tennis courts. The Hyatt will be located on a 63-acre site on the coast. Being close to the Sandpiper Golf Course and near the beach, this project will clearly become a destination resort and conference center.
- After a several year effort, Fess Parker has secured approval for his 360 unit Park Plaza hotel and conference center project in the East Beach area of Santa Barbara. This facility, which is under construction, will include a 16,000 square foot conference facility, five tennis courts in addition to the usual restaurants, bars and coffee shop.

- The Railway Plaza project is being proposed by the MacElhenny Group at the old Santa Barbara railroad depot. It will include a 133 room hotel, 20,000 square feet of retail shops and restoration of the depot.
- The Cabrillo Plaza Project is planned for the area where Garden Street would meet Yanonali Street. This 250 room hotel will also include about 6,000 square feet of meeting space.
- A 121 unit motel is planned for the northeast corner of Calle Real and Kellogg Avenue. It will be next to the Holiday Inn in Goleta.

The above six projects total 1,391 units or 33 percent of the current inventory. In contrast and partially in response to a fifteen year period (1966 to 1980) where the South Coast Area experienced no net addition to hotel room inventory, the area is likely to experience an inventory increase of approximately 2,000 units in the ten years from 1981 to 1990.

Still other projects are being proposed, and the most prominent is a 390 room resort hotel complex located on the coast in Goleta just east of the Hyatt project. The development proposal includes 27,000 square feet of ballroom/meeting rooms and 164 residential units.

MARKET OUTLOOK

With the expected addition of some 2,000 units to a 1980 inventory base of 3,500 to 3,600 units, competition in the South Coast hotel market will intensify. For analysis purposes, we have assumed the following schedule of new project completions:

- Park Plaza (360 units), the motel in Goleta (121 units) and the Cypress Tree (27 units) by 1987;
- The first phase of the Hyatt resort (400 units), Cabrillo Plaza (250 units) and Railway Plaza (133 units) by 1989; and

- Four hundred additional rooms including the second phase of Hyatt (100 units) and possibly the first phase of the other Goleta resort development by 1993.

Given the inventory buildup described above, the average South Coast occupancy rate will drop even assuming that major operators such as the Hyatt and Red Lion are successful in generating group business. ERA expects the average occupancy rate to drop from the mid to high 70 percent range to 72 or 73 percent by 1987 and 67 or 68 percent by 1989. The rate will likely remain below 70 percent until the early 1990s and then climb back into the low and mid 70 percent range by the mid 1990s (see Table II-7).

The much more intense competition expected in the late 1980s will have three types of impact:

- Development community interest in additional hotel or motel construction will drop off sharply as financing for such projects becomes much more difficult to secure.
- The stronger of the existing properties will need to reinvest and upgrade to remain competitive.
- A number of the smaller and older properties in the current inventory, possibly totalling 150 to 250 units, will be driven from the marketplace. They will either be converted into long term rental units or be demolished for redevelopment into more economic uses.

The next five years will be transition years for the South Coast hotel/motel industry as new, larger properties operated by national chains displace smaller, older and often locally owned properties. Since the new projects have largely been approved, little can now be done to retard this transition.

Table II-7

PROJECTED HOTEL/MOTEL MARKET OUTLOOK
FOR THE SOUTH COAST AREA

Year	Room Inventory			Occupancy Rate	Effective Room Demand	Average Room Rate	Total Room Revenues (\$000s)
	Additions	Subtractions	Total				
1981	124	--	3,670	78.6%	2,899	\$34.90	\$36,296
1983	72	--	3,742	76.5%	2,881	\$43.22	\$45,451
1985	450	14	4,178	75.2%	3,134	\$52.45	\$59,998
1987	508	25	4,661	72.6%	3,384	\$54.75	\$67,625
1989	783	50	5,394	67.3%	3,630	\$55.50	\$73,534
1991	150	50	5,494	69.2%	3,800	\$58.00	\$80,446
1993	250	50	5,694	69.4%	3,950	\$59.50	\$85,784
1995	--	25	5,699	72.3%	4,100	\$62.50	\$93,531

Source: Economics Research Associates

Section III

THE CONFERENCE AND CONVENTION MARKET AS IT RELATES TO SANTA BARBARA

THE NATIONWIDE MARKET

During 1983, the most current year for which statistics are available, Meetings and Convention Magazine estimated that 873,200 conventions or conferences were held using offsite premises. Total attendance was estimated at 63.6 million, and these attendees often brought spouses. Spouse attendance amounted to an additional 15.7 million (see Table III-1).

These conventions and conferences can be divided into two types: corporate meetings and association meetings. Corporate meetings are typically held by a single corporation. Association meetings bring together individuals who are members of trade associations or social or fraternal organizations.

Corporate meetings are typically reasonably small. Including spouses, the average attendance at a corporate meeting is 63 people. Approximately two thirds of all corporate meetings are attended by less than 100 people. Association meetings can be further divided into major conventions or smaller meetings. Again including spouses the average major convention has an attendance of 1,500, and the average smaller association meeting has 115 attendees.

SANTA BARBARA SCALE MEETINGS

Since no absolutely correct definition of a "Santa Barbara scale" conference or meeting exists, ERA has assumed that a meeting of 100 people or less is certainly within that definition. Using this conservative upper limit, Santa Barbara is still able to host a wide range of corporate meetings including training seminars, management meetings, sales meetings, professional/technical meetings and stockholders meetings. The statistics

Table III-1

THE TOTAL NATIONWIDE CONFERENCE AND CONVENTION MARKET IN 1983

	Number of Meetings	Attendance	Spouse Attendance	Per Meeting	
				Average Attendance	Average With Spouses
Corporate Meetings	713,800	36,830,900	7,953,000	52	63
Association Meetings	159,400	26,727,300	7,700,000	168	216
Major Conventions	11,600	12,110,400	5,300,000	1,044	1,501
Smaller Meetings	147,800	14,616,900	2,400,000	99	115
Total Conference and Convention Market	873,200	63,558,200	15,653,000	77	95

Source: The Meeting Market, Meetings and Convention Magazine

in Table III-2 suggest that a large majority of these types of meetings will have fewer than 100 attendees.

Using this size as the upper limit, Santa Barbara would be able to accommodate somewhat less than half of all smaller association meetings (see Table III-3). Major conventions which contribute approximately 20 percent of total meeting attendance would clearly not be Santa Barbara in scale.

If Santa Barbara decided to target meetings under 100 people in size, it would still be able to compete for 45 to 47 percent of the total meetings market. Approximately 80 percent of these smaller meetings would be corporate meetings, and these are typically the meetings attended by individuals with higher spending patterns.

CRITERIA USED BY MEETING PLANNERS

The single most important criteria used by meeting planners for selecting an offsite destination is the availability of hotels and meeting facilities (see Table III-4). The next three criteria relate to transportation costs, including time required for travel. Once a destination is selected then the selection criteria becomes the quality of food, service and facilities (Table III-5).

THE ROLE OF CONFERENCE SPACE

Hotels build conference space primarily to boost off-peak occupancy. The current South Coast hotel market is characterized by excess demand on weekends and strong demand during much of the summer. Weekday demand except during the peak summer month tends to be soft. Hotels which are large enough to accommodate groups and offers conference space are able to offset the weekday vacancies by promoting group business. The resulting higher rate of year round occupancy facilitates the amortization of capital cost and the provision of higher value service to the customer.

Table III-2
ATTENDANCE AT CORPORATE MEETINGS

<u>Type of Meeting</u>	<u>Number of Meetings</u>	<u>Attendance Excluding Spouses</u>	<u>Average Attendance</u>
Training Seminars	170,600	6,426,000	38
Management Meetings	159,300	6,111,300	38
Regional Sales Meetings	148,500	5,642,100	38
New Product Introduction	66,700	5,609,300	84
Professional/Technical Meetings	54,000	3,371,800	62
National Sales Meetings	48,100	3,269,400	68
Incentive Trips	25,200	2,598,000	103
Stockholder Meetings	17,200	1,466,400	82
Other Meetings	<u>24,200</u>	<u>2,336,600</u>	<u>97</u>
Total	713,800	36,830,900	52

Source: Official Meeting Facilities Guide, Spring/Summer 1985

Table III-3

ATTENDANCE AT SMALLER ASSOCIATION MEETINGS

<u>Type of Meeting</u>	<u>Number of Meetings</u>	<u>Attendance Excluding Spouses</u>	<u>Average Attendance</u>
Educational Seminars	41,500	4,644,000	112
Board Meetings	35,600	3,409,200	96
Regional/Local Chapter Meetings	32,700	3,339,300	102
Professional/Technical Meetings	27,100	1,318,200	49
Other Meetings	<u>10,900</u>	<u>1,706,200</u>	<u>157</u>
Total	147,800	14,416,900	96

Source: Official Meeting Facilities Guide, Spring/Summer 1985

Table III-4

CRITERIA USED BY CORPORATE MEETING PLANNERS
FOR SELECTION OF DESTINATIONS

<u>Factors Considered Very Important in the Selection of the Destination for Meetings</u>	<u>Percentage Responding</u>
Availability of hotels or other facilities suitable for meetings	66%
Ease of transportation for attendees to/from location	58%
Transportation costs	47%
Distance from individual attendees	40%
Availability of recreational facilities such as golf, swimming, tennis, etc.	27%
Climate	27%
Glamorous or popular image of location	9%
Sightseeing, cultural, other extra-curricular attractions	9%

Source: Official Meeting Facilities Guide, Spring/Summer 1985

Table III-5

CRITERIA USED BY CORPORATE MEETING PLANNERS
FOR THE SELECTION OF FACILITIES

<u>Factors Considered Very Important in the Selection of a Hotel or Other Facilities for Off-Premises Meetings</u>	<u>Percentage Responding</u>
Quality of food service	77%
Number, size and caliber of meeting rooms	64%
Efficiency of check-in/check-out procedures	54%
Efficiency of billing procedures	53%
Number, size and caliber of sleeping rooms	51%
Assignment of one staff person to handle all aspects of meeting	43%
Availability of meeting support services and equipment, such as audio-visual equipment	41%
Previous experience in dealing with facility and its staff	36%
On-site recreational facilities, i.e., golf, swimming, tennis	27%
Proximity to airport	24%
Convenience to other modes of transportation	24%
Provision of special meeting services such as pre-registration, special equipment, etc.	18%
Availability of exhibit space	17%
Number, size and caliber of suites	16%
Proximity to shopping, restaurants, off-site	11%
Newness of facility	5%

Source: Official Meeting Facilities Guide, Spring/Summer 1985

THE OUTLOOK FOR THE SOUTH COAST AREA

Being within two hours driving time of virtually the entire Los Angeles basin, the South Coast Area is well located to serve the need of Southern California groups for meetings. Santa Barbara's attractive beaches, mild climate and increasingly charming downtown make it very competitive to the Palm Springs or San Diego area for group business. However, historically it has offered very little in terms of larger scale hotels and high quality meeting facilities.

The "Official Meeting Facilities Guide, Spring/Summer 1985" issue lists only the Biltmore and the Sheraton for the Santa Barbara area. In contrast, it lists 12 properties in the Monterey area, 14 in the Palm Springs area and 15 in the San Diego area (see Tables III-6 through III-8).

If market forces were allowed to prevail, the South Coast Area would follow the path being set by the Monterey and Palm Springs areas. The demonstrated success of the Hyatt and the Red Lion will encourage the development of other large scale hotels with meeting facilities. Although it appears that the hotel market will be saturated during the 1980s, two to four more projects similar in scale to Park Plaza or the Hyatt resort in Goleta could be expected in the 1990s. The completion of Highway 101 through Santa Barbara facilitates the development of additional resort and conference hotels west of Santa Barbara by removing a critical bottleneck.

Population and economic growth in the Los Angeles basin drives demand for tourism in the Santa Barbara area. With growth and more intense urbanization, the Los Angeles basin has lost the relaxed atmosphere for which it was known 30 or 40 years ago. People from that basin come to Santa Barbara to rediscover their original attraction to Southern California. Spurred by oil development, the growth of the Santa Barbara area, if not carefully planned, threatens to make it like much of the Los Angeles basin. In that event and facilitated by the completion of Freeway 101 through Santa Barbara, the tourism trade will likely shift further up the coast.

Table III-6

HOTELS WITH MEETING FACILITIES IN THE
SANTA CRUZ - MONTEREY - CARMEL AREA

<u>Project</u>	<u>Location</u>	<u>Guest Rooms</u>	<u>Net Meeting Space (Square Feet)</u>	
			<u>Total</u>	<u>Per Guest Room</u>
Chaminade Whitney Conference Center	Santa Cruz	156	12,000	77
Casa Munras Garden Hotel	Monterey	150	5,500	37
Doubletree Hotel	Monterey	374	17,800	48
Highland Inn	Carmel	151	3,700	25
Hilton Resort	Monterey	203	7,500	37
Hyatt Regency	Monterey	579	22,800	39
The Lodge at Pebble Beach	Pebble Beach	161	7,100	44
The Monterey Plaza	Monterey	291	11,700	40
Monterey Sheraton	Monterey	350	12,000	34
Pajaro Dunes Conf. & Vacation Center	Watsonville	360	7,500	21
La Playa Hotel	Carmel	75	4,400	57
Quail Lodge	Carmel	<u>100</u>	<u>6,600</u>	<u>66</u>
Average		246	9,900	40

Source: Official Meeting Facilities Guide, Spring/Summer 1985

Table III-7

HOTELS WITH MEETING FACILITIES IN THE
PALM SPRINGS - INDIAN WELLS - RANCHO MIRAGE AREA

Project	Location	Guest Rooms	Net Meeting Space (Square Feet)	
			Total	Per Guest Room
American Canyon Hotel Racquet & Golf Resort	Palm Springs	470	28,000	60
Desert Princess	Palm Springs	300	14,000	47
Gene Autry Hotel	Palm Springs	186	12,200	66
The Palm Springs Hilton Riviera Hotel	Palm Springs	475	40,000	84
The Palm Springs Marquis Hotel	Palm Springs	264	22,000	83
Palm Springs Spa Hotel	Palm Springs	230	20,600	90
Sheraton Plaza Palm Springs	Palm Springs	262	12,900	49
Erawan Garden Hotel	Palm Desert	223	7,500	34
La Quinta Hotel	La Quinta	286	11,000	38
Granada Royale Conference Center	Palm Desert	201	13,700	68
Marriott's Desert Resort & Spa	Palm Desert	900	51,700	57
The Palm Desert Resort Hotel	Palm Desert	270	12,100	45
Shadow Mountain Resort	Palm Desert	175	6,800	39
Marriott's Rancho Las Palmas Resort	Rancho Mirage	<u>456</u>	<u>15,000</u>	<u>33</u>
Average		336	19,100	57

Source: Official Meeting Facilities Guide, Spring/Summer 1985

Table III-8

HOTELS WITH MEETING FACILITIES IN THE
SAN DIEGO AREA

<u>Project</u>	<u>Location</u>	<u>Guest Rooms</u>	<u>Net Meeting Space (Square Feet)</u>	
			<u>Total</u>	<u>Per Guest Room</u>
La Costa Hotel & Spa	Carlsbad	310	7,200	23
Hotel Del Coronado	Coronado	686	55,000	80
Pala Mesa Resort	Fallbrook	133	4,800	86
La Jolla Marriott	La Jolla	360	14,100	39
Bahia Resort Hotel	San Diego	320	17,000	53
Hanalei Hotel	San Diego	450	13,000	29
Hyatt Island	San Diego	349	17,300	49
Hotel Inter-Continental	San Diego	681	49,400	73
Radisson Hotel	San Diego	263	8,300	32
Rancho Bernardo Inn	North San Diego	235	9,600	41
The San Diego Hilton	San Diego	354	19,300	55
Sheraton Harbor Island	San Diego	1,100	57,000	52
Town & Country Hotel	San Diego	1,000	84,000	84
Vacation Village	San Diego	450	19,500	43
The Westgate	San Diego	<u>223</u>	<u>15,000</u>	<u>67</u>
Average		461	26,000	56

Source: Official Meeting Facilities Guide, Spring/Summer 1985

IMPLICATIONS FOR EXISTING SANTA BARBARA PROPERTIES

The large new resort/conference hotels operated by national chains will have a substantial competitive advantage over the smaller, older and independently operated hotel/motel properties currently in Santa Barbara. The reasons are as follows:

- Their size allows them the ability to provide on site amenities such as, restaurants, shops, tennis courts, etc.
- They are able to achieve better economies of scale in operation by spreading management personnel cost over a larger number of rooms and by having an efficient ratio of maintenance personnel to guest rooms.
- Being part of a national chain, they are able to benefit from referrals and company wide marketing campaigns.
- Their size combined with meeting facilities allows them to offset off peak periods with group business. The superior financial performance thus achieved allows them to offer higher wages to employees and better service to customers.

The success of these large resort/conference hotels in the South Coast Area will be derived partially from demand growth; partially from diverting group business from areas like Monterey, Palm Springs and San Diego; and partially from offering a better product to customers than the existing inventory in Santa Barbara is able to provide.

Twenty years from now, if local policy makers allow the forces of the market place to run its course, the hotel industry in the South Coast area will not only be larger but will be very different from today. Larger scale properties, most offering meeting space and on-site amenities, will dominate. Only a few of the better run, small and locally owned facilities will be present.

Section IV

POLICY IMPLICATIONS

CONCERN WITH EXCESSIVE HOTEL DEVELOPMENT

Because of the approval of nearly 1,400 units for construction after some 650 units have very recently been completed, there is concern within Santa Barbara with excessive hotel development. The concern is with the creation of an area like Miami Beach or even Waikiki Beach, which does not serve the interests of local residents or future visitors particularly well. A highly concentrated area of hotel and other tourist facilities development, if not carefully planned, can easily spoil the appeal of the area which originally induced that development.

DILEMMA OF POLICY MAKERS

The policy makers in Santa Barbara face some difficult decisions. If hotel and motel projects continue to be approved, the risk of over concentration clearly exists. In addition, the new and larger scale projects, many of which will have conference facilities, will tend to drive the smaller and often locally owned projects from the market place.

However, if policy makers severely restrict additional hotel development within the City of Santa Barbara, new projects will simply be built outside the city limits. This pattern is already emerging. During 1980 Santa Barbara had approximately 75 percent of the South Coast hotel inventory. However, of the 2,000 units expected between 1981 and 1990 less than half will be in Santa Barbara.

Santa Barbara is already not receiving its share of the higher income segments of the tourist market due at least in part to the lack of new construction. If virtually all of the future new inventory is built outside

of the city limits, Santa Barbara will over time cater to a gradually declining strata of the tourist markets as existing facilities continue to age.

ERA believes that in terms of long-term economic impact on the community, the quality of development is at least as important as quantity. The benefit/cost relationship of one high end hotel room is probably superior to that of three or four low end rooms. Santa Barbara needs to adopt policies which would enhance rather than preclude its ability to participate in the quality end of the hotel market. Limiting itself to the lower end of the market could, over time, result in substantial social and fiscal costs which are not readily apparent today.

DISCUSSION OF ALTERNATIVES

As part of this study, ERA was requested to address three hotel/conference facilities development alternatives. A discussion of each is presented below.

- A hotel/conference facility on the order of the Park Plaza Project - If both the Hyatt and Park Plaza Projects are built, another project of this scope is probably not supportable until the early or mid-1990s. Because 2,000 rooms have been built or approved in the South Coast Area since 1980 and an oversupply situation is expected, a policy which limits hotel development in Santa Barbara to one more major project will probably have little impact in the short run. In the long run, the lack of new construction, which in part serves to replace obsolete inventory, will weaken Santa Barbara's competitive position and limit its ability to compete for the higher income segments of the visitor market.
- Smaller hotels and motels with small to medium size meeting spaces - This approach, if implemented with effective planning criteria, appears to be reasonable. The smaller projects

preserve the intimate scale of Santa Barbara. They also soften the competitive impact on existing small operators by reducing the interest of national chains. Renovation of locally owned facilities would be more likely.

- Hotels with no additional conference space - Conference space improves the operating performance of hotels in areas like Santa Barbara where demand is uneven throughout the year and during the week. Such a limitation would place new projects in Santa Barbara at a significant competitive disadvantage. It would encourage the construction of higher quality resort and conference hotels outside of Santa Barbara. Santa Barbara's competitive position would be weakened over time because its inventory would be limited to older existing properties plus a few new motels which are not able to cater to the corporate executives who would come to Santa Barbara for meetings.

SUGGESTIONS FOR POLICY MAKERS

Given the conflicting objectives of avoiding over concentration of hotel development, protecting the interests of locally owned small businesses and serving the long term economic and fiscal interest of the community, ERA suggests the following policies for the City of Santa Barbara:

- The City should not place an absolute ceiling on the number of hotel rooms permitted. In the near term future (3 to 5 years) such a ceiling appears unnecessary as the anticipated over-supply will discourage further construction. The removal of the threat of an absolute ceiling will also relieve pressure for near term development. Currently, we suspect developers are accelerating projects ahead of market support with the expectation of "now or never." Such a ceiling would retard the replacement of obsolete

inventory with new higher quality projects. The aging of inventory weakens Santa Barbara's competitive position over time.

- The City should limit hotel/motel development, through zoning or other means, to areas which facilitate quality development and which minimize the tourist versus resident land use conflict. Small bed and breakfast inns could be exempted.
- The City should establish maximum densities for hotel or motel development. Separate density standards should be established for the Central Business District and other portions of the City. High density and high concentration accelerate the decline of any tourist destination which derives its appeal from natural beauty, tranquility and charm.
- In addition to maximum densities, Santa Barbara has good reason to establish maximum size limits for hotel projects. Limiting the size of new hotel projects serves to reinforce the intimate scale of Santa Barbara; it also softens the competitive impact on existing small operators by reducing the interest of some of the national chains. With fewer major national chain operated properties in the market place, redevelopment and renovations of locally owned facilities are more likely. We suggest that the size limit be 250 to 350 units in the Central Business District and 180 to 250 units outside the CBD. A much lower limit would place new Santa Barbara projects at a disadvantage relative to projects outside the City.
- Conference facilities are built to enhance room occupancy. If hotel sizes are limited, the City has little need to limit the amount of meeting space. If the City wishes to be doubly certain, it could limit the amount of meeting space to 40 to 45 square feet per guest room.

- The City should consider minimum open space, room size, lobby area, landscaping and below grade or under the building parking requirements along with maximum densities for new hotel projects to insure that future projects are of a high quality. CBD and non-CBD projects should have different standards.
- The City needs to establish whether the expansion of existing hotel properties needs to conform to new development standards.

PART B
ECONOMIC IMPLICATIONS
OF ALTERNATIVE GROWTH STRATEGIES
FOR THE CITY OF SANTA BARBARA

PREPARED FOR
THE CITY OF SANTA BARBARA

PREPARED BY
ECONOMICS RESEARCH ASSOCIATES
680 BEACH STREET, SUITE 370
SAN FRANCISCO, CALIFORNIA 94109
(415) 775-3170

IN ASSOCIATION WITH
EIP ASSOCIATES
319 ELEVENTH STREET
SAN FRANCISCO, CALIFORNIA 94103

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PART B

ECONOMIC IMPLICATIONS OF ALTERNATIVE GROWTH STRATEGIES FOR THE CITY OF SANTA BARBARA

INTRODUCTION

When looking ahead to the year 2000, the citizens of Santa Barbara now face a situation where the availability of physical resources (most notably water and transportation system capacities) will limit the total amount of growth which may occur in the city. In terms of Santa Barbara's future economic health, the question now becomes, which type of economic activity should the city choose to emphasize (or what form of commercial/industrial real estate development should be allowed). The hotel/tourism industry has long contributed jobs, income, taxes and profits to the local economy, but additional hotel/motel development could increase visitor congestion and potentially detract from the charming and small town flavor which makes Santa Barbara appealing to residents and visitors alike. In order to choose the most beneficial growth strategy, the Santa Barbara community must know what the relative impacts are (both positive and negative) of emphasizing additional hotel development as opposed to additional retail, additional offices, or other new development.

To assist with the evaluation of alternative futures, the City of Santa Barbara has retained Economics Research Associates (ERA) in association with EIP Associates, to prepare two studies: the first (presented in Part A) was a study of the South Coast hotel and convention industry and the second is a comparison of growth alternatives available to Santa Barbara including the comparison of a strategy which emphasizes hotel development to other possible strategies. This paper (Part B) is the second study and it evaluates the differential impacts of four alternative growth strategies in terms of:

- Postulated real estate development;
- Water consumption;
- Employment generation;
- Population growth;
- Attraction of additional visitation;
- Pressure on the city's housing stock;
- Visitor spending;
- Total economic impact;
- Additional personal earnings;
- Additional traffic generation; and
- Fiscal impacts on the City's ongoing operating budget.

CONCEPTUAL BASIS FOR ANALYSIS

The growth dynamics in Santa Barbara will be somewhat different from those traditionally found in less constrained urban environments. Normally, increasing economic activity and external growth pressures (including employment growth, residential population growth, and growth in visitation) can be envisioned as creating a demand for real estate products (i.e., the housing units and commercial building shells to house employees and activity). The local real estate market in turn satisfies that demand by supplying new development. This new development, and the economic and human activity housed therein, then places further demands on such physical resources as water and sewage capacity, and local transportation networks.

In the current Santa Barbara situation, however, the market dynamics are reversed. Water and transportation resources are known to be constrained, and will be depleted long before the 15 year time horizon of the study if traditional market forces are allowed to stimulate growth unchecked. In the situation faced by the City of Santa Barbara, it is reasonable to assume that the demand for housing units and buildings to house economic activity will be greater than can be physically accommodated over the next 15 years. Thus, resource constraints justify the

implementation of land use controls to regulate the amount of new commercial real estate development to be allowed between now and the year 2000.

In this situation, population and economic activity can expand within the city limits only to the extent that it can be more intensely packed into existing real estate, or to the extent to which new real estate development is allowed. Where population and economic growth are traditionally seen as "causing" the need for new real estate development, in this case allowing new real estate development can essentially be seen as "causing" population growth, increased overnight visitation, and economic growth within the city limits.

DESCRIPTION OF SCENARIOS

This analysis is based upon four scenarios describing alternative growth patterns for the City of Santa Barbara over the coming 15 year period from 1986 to 2000. Scenario analysis provides a means of projecting alternative goals, in order to choose a preferred path. Scenarios were formulated jointly by City staff, ERA and EIP, and were designed to emphasize different types of commercial real estate development, while constraining the total mix of development in each scenario to the same volume of water consumption. All four of the growth scenarios are calibrated to use essentially the same amount of water as Scenario B in the Master Water Plan Study (EIP, 1985). The selection of Scenario B was made to facilitate land use comparisons; this selection does not imply endorsement of Scenario B. Any of the scenarios in the Master Water Plan could have been used. At 17,680 acre-ft/year, it is 730 acre-ft/year higher than the City's current dependable water supply of 16,950 acre-ft/year. The four different development emphases are:

- Scenario 1: Retail emphasis;
- Scenario 2: Hotel emphasis;
- Scenario 3: Even distribution of growth; and
- Scenario 4: Office/R & D emphasis.

Figure 1 graphically presents the new development postulated for each scenario in terms of gross square feet of new building area allowed over the next 15 years. The largest increment in retail building is postulated for the "retail emphasis" scenario, the largest increment in hotel is postulated for the "hotel emphasis" scenario, and so on. New conference use space postulated for each scenario is combined with the hotel totals in Figure 1.

Not shown in Figure 1 is the amount of residential development anticipated, because the same amount of development is expected to occur in all four scenarios. Between 1985 and the year 2000, a total of 3,459 new housing units are postulated to be developed within the city. This assumption was also used in Scenario B of the Master Water Plan study.

A different perspective on the information in Figure 1 is presented by Figure 2 which graphically depicts the new development in each scenario as increments to the existing inventory of commercial and industrial building spaces in the city. (The quantitative data presented in Figures 1 and 2 is also tabulated in Table 1.) Overall, the greatest addition to building space is postulated in Scenario 4, the smallest is in Scenario 2. In comparison to existing conditions, Scenarios 2 and 3 postulate a relatively significant increase in the hotel inventory. The new office and industrial construction in Scenario 4 is also a significant addition to the existing base. The city already contains a large amount of retail space, however, and even Scenario 1 which emphasizes new retail development postulates less than a 15 percent increase in retail space.

The focus of the remainder of the Part B report is on the comparison of impacts between the alternative scenarios. A graphic form of presentation is used to facilitate making these comparisons. The detailed quantitative estimates of economic impacts and the methodology used to produce these estimates for each scenario is presented in Appendix B1. The detailed work on water and transportation impacts conducted by EIP is presented in Appendix B2.

FIGURE 1

Incremental Development

For Each Scenario, by Land Use

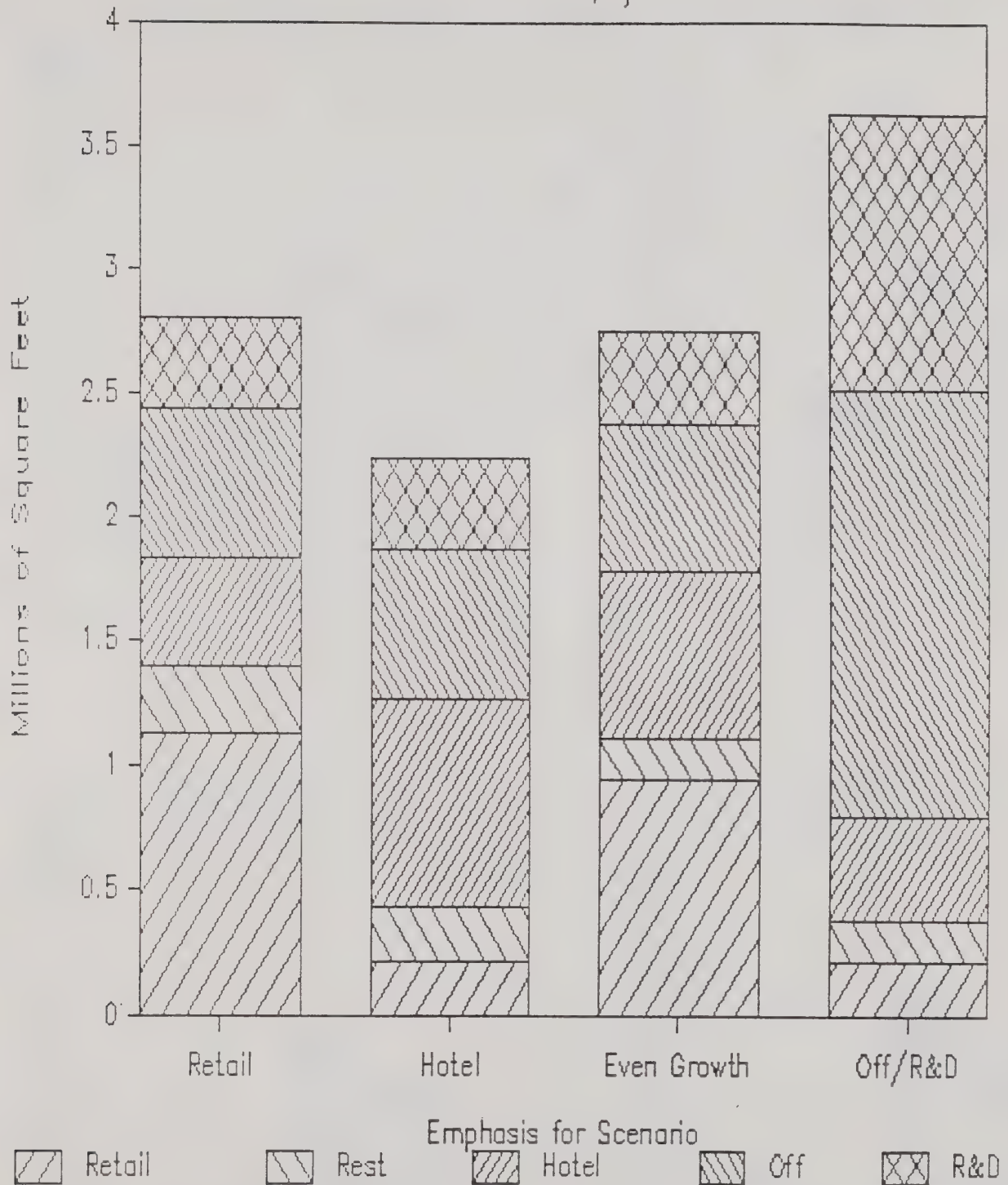
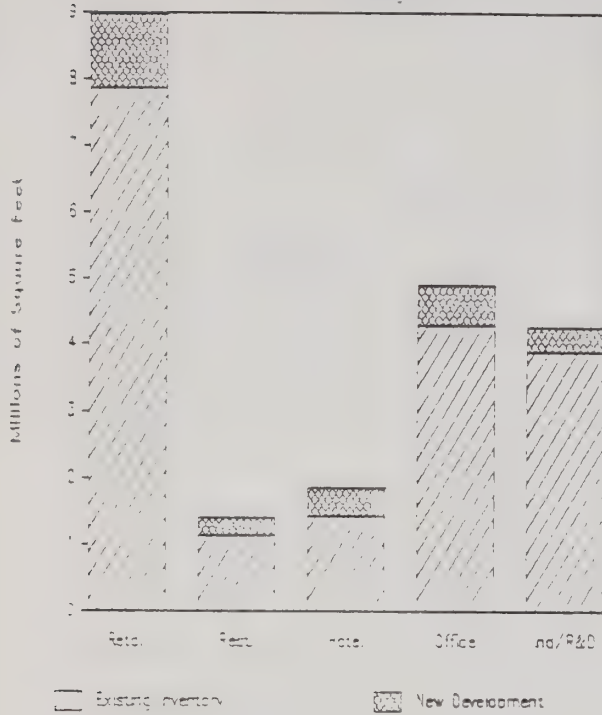


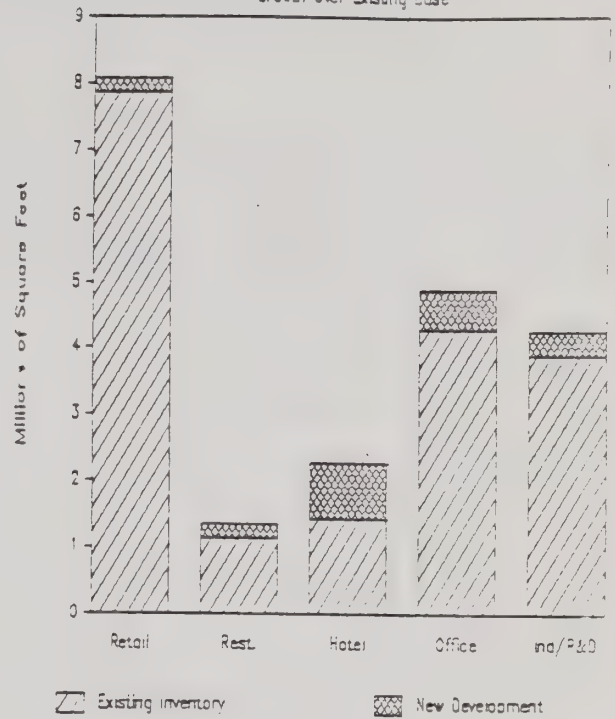
FIGURE 2

DEFINITION OF SCENARIOS

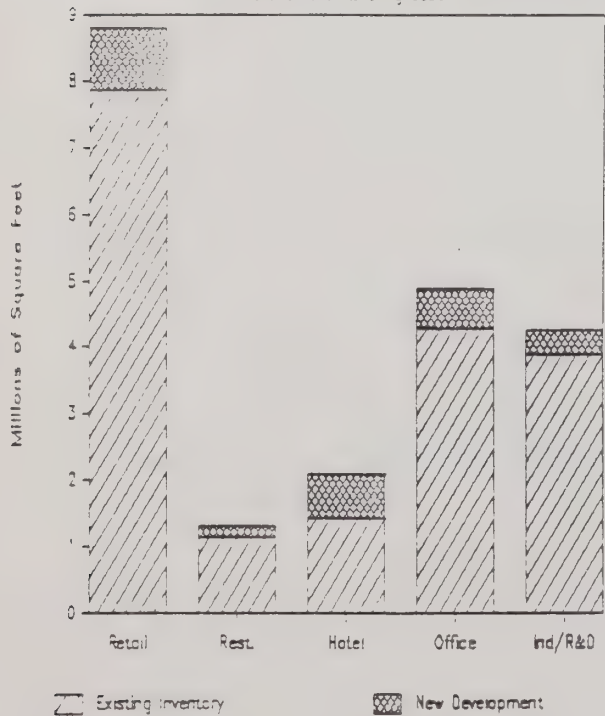
Scenario 1: Retail Emphasis
Growth Over Existing Base



Scenario 2: Hotel Emphasis
Growth Over Existing Base



Scenario 3: Even Growth Distribution
Growth Over Existing Base



Scenario 4: Office/R&D Emphasis
Growth Over Existing Base

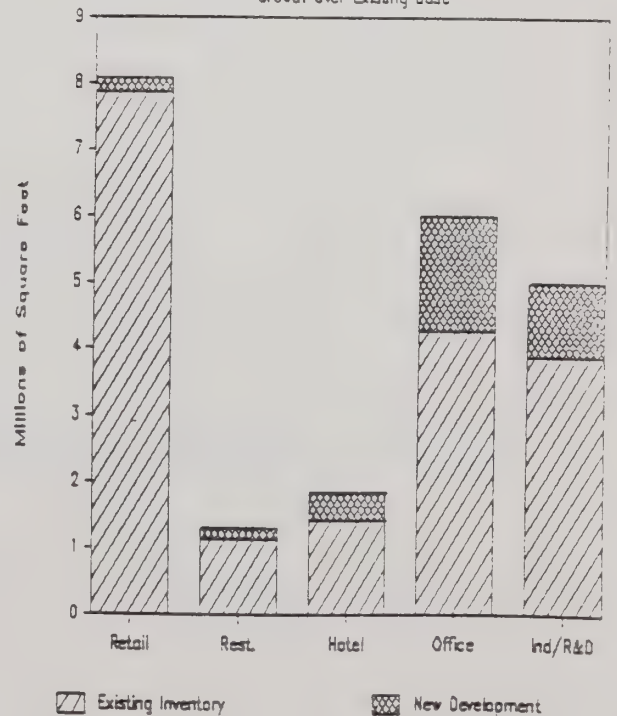


Table 1

INVENTORY OF SANTA BARBARA BUILDING SPACE AND
DEFINITION OF FOUR ALTERNATIVE GROWTH SCENARIOS
(In Thousands of Gross Square Feet)

<u>Land Use Category</u>	<u>Existing in 1985</u>	<u>Incremental Development: 1985 to 2000</u>			
		<u>1-Retail Emphasis</u>	<u>2-Hotel Emphasis</u>	<u>3-Even Growth Distribution</u>	<u>4-Office/ R&D Emphasis</u>
Retail/Services	7,853	1,132	217	951	217
Restaurant	1,140	265	214	163	163
Office	4,293	600	600	600	1,717
Hotel/Motel	1,409	421	787	651	421
Conference	24	16	51	15	0
Industrial/R&D	<u>3,894</u>	<u>368</u>	<u>368</u>	<u>368</u>	<u>1,116</u>
Total Building Space	18,613	2,802	2,237	2,748	3,634

Source: City of Santa Barbara; EIP Associates; and Economics Research Associates

EMPLOYMENT IMPACTS

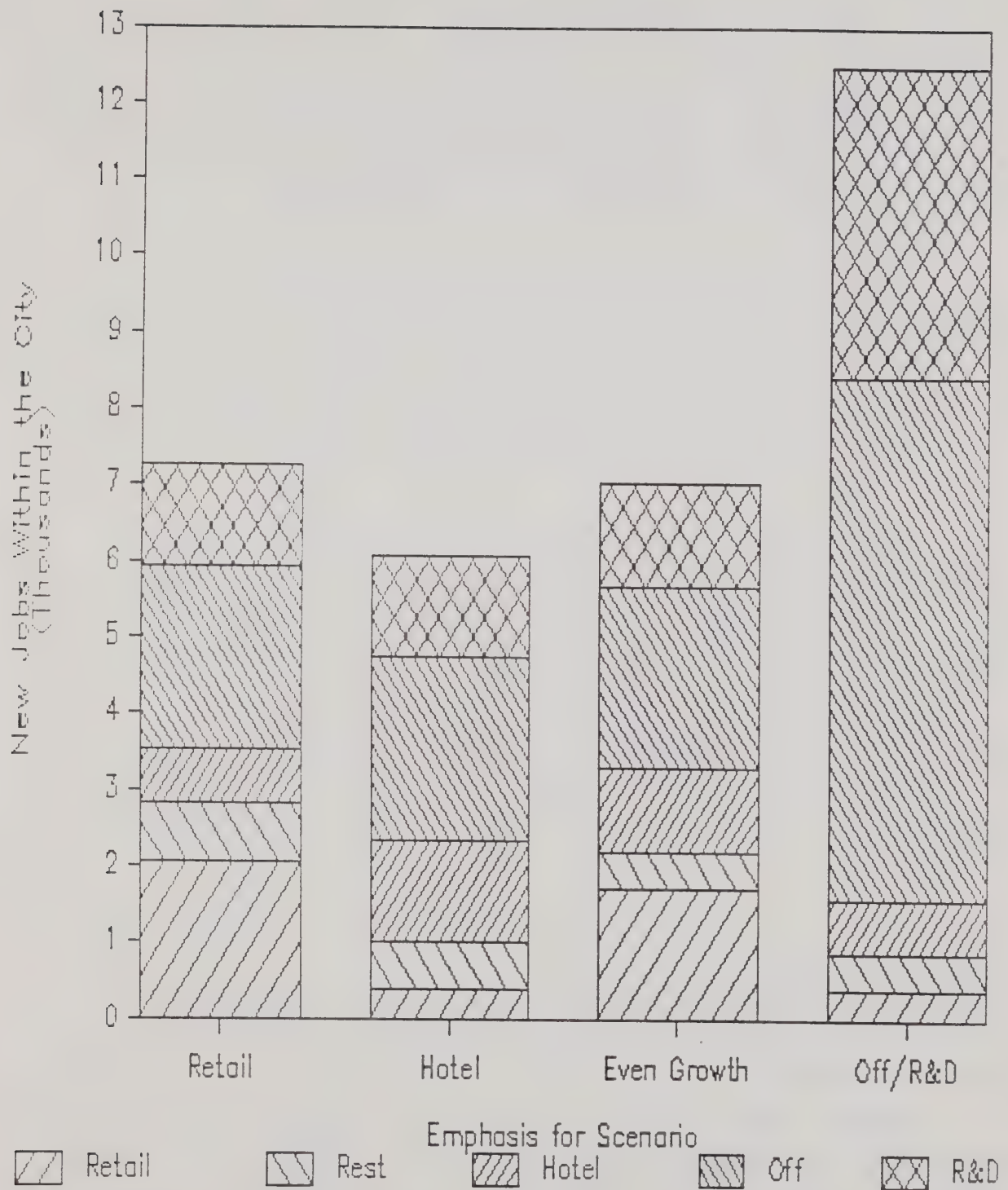
The number of additional jobs housed in the new real estate development postulated for each scenario is roughly proportionate to the amount of new development allowed (See Figure 3). Consequently, Scenario 4 emphasizing intensive office and industrial/R&D development which had the largest amount of building volume associated with it, also creates space for the largest number of new jobs. Over 12,000 new jobs would be created under Scenario 4, representing an expansion of roughly 20 percent over the current estimate of 54,500 jobs within the City of Santa Barbara.

The scenarios emphasizing retail development or an even distribution of development follow Scenario 4 by creating approximately 7,000 jobs each. The Scenario emphasizing hotel development generates the lowest number of new jobs.

For most land uses, job creation is estimated from employment density factors. (For the number of square feet required to house each additional job, see Appendix B1). The employment density factors used for hotel/motel job creation are equivalent to an average of approximately 0.8 jobs per room. Estimates for employment in the conference spaces are actually supplemental to hotel employment, because no free-standing conference center is postulated in these scenarios. Conference space works in tandem with the development of higher service level hotels. Thus, a distribution of hotel/motel facilities by quality is postulated in the formulation in the Scenarios. In all Scenarios, hotel/motel employment estimates include employees of restaurants, retail shops, and other services which function as an integral part of hotel operations. A high service level hotel facility such as a Hyatt Regency which includes a certain amount of conference space is expected to employ roughly 1.0 persons per room. On the other hand, a hotel facility with fewer food and beverage services, with less meeting space, and with limited room service would employ closer to 0.6 people per room.

FIGURE 3

New Jobs



The jobs housed in different land uses not only have different densities, but also have different income characteristics (in Appendix B1, incomes by land use have been inferred from correlations between wage and salary levels by occupational categories and by industry). The average incomes in office and R&D development are expected to exceed \$20,000 per year. These types of jobs also have a reasonably even distribution of incomes, with a large portion of all job-holders receiving moderate to high incomes.

Retail, restaurant and hotel industries, on the hand, are characterized by an income distribution where the vast majority of workers make relatively little money, and only a few managerial and entrepreneurial people receive moderate to high incomes. The overall average in these land uses is also significantly lower than that found in office and R&D developments.

For these reasons, Scenario 4, emphasizing office and R&D developments, not only creates the most jobs, but attracts the most high income people. An indicator of the difference in income generation between scenarios is presented in Figure 4 which presents job creation weighted by the average annual income associated with each type of job. The initial gross income generated by the new jobs in Scenario 4 is projected to exceed \$250 million (before adding economic multiplier effects or deducting for income transfers). For the other three scenarios, initial income would barely exceed \$100 million.

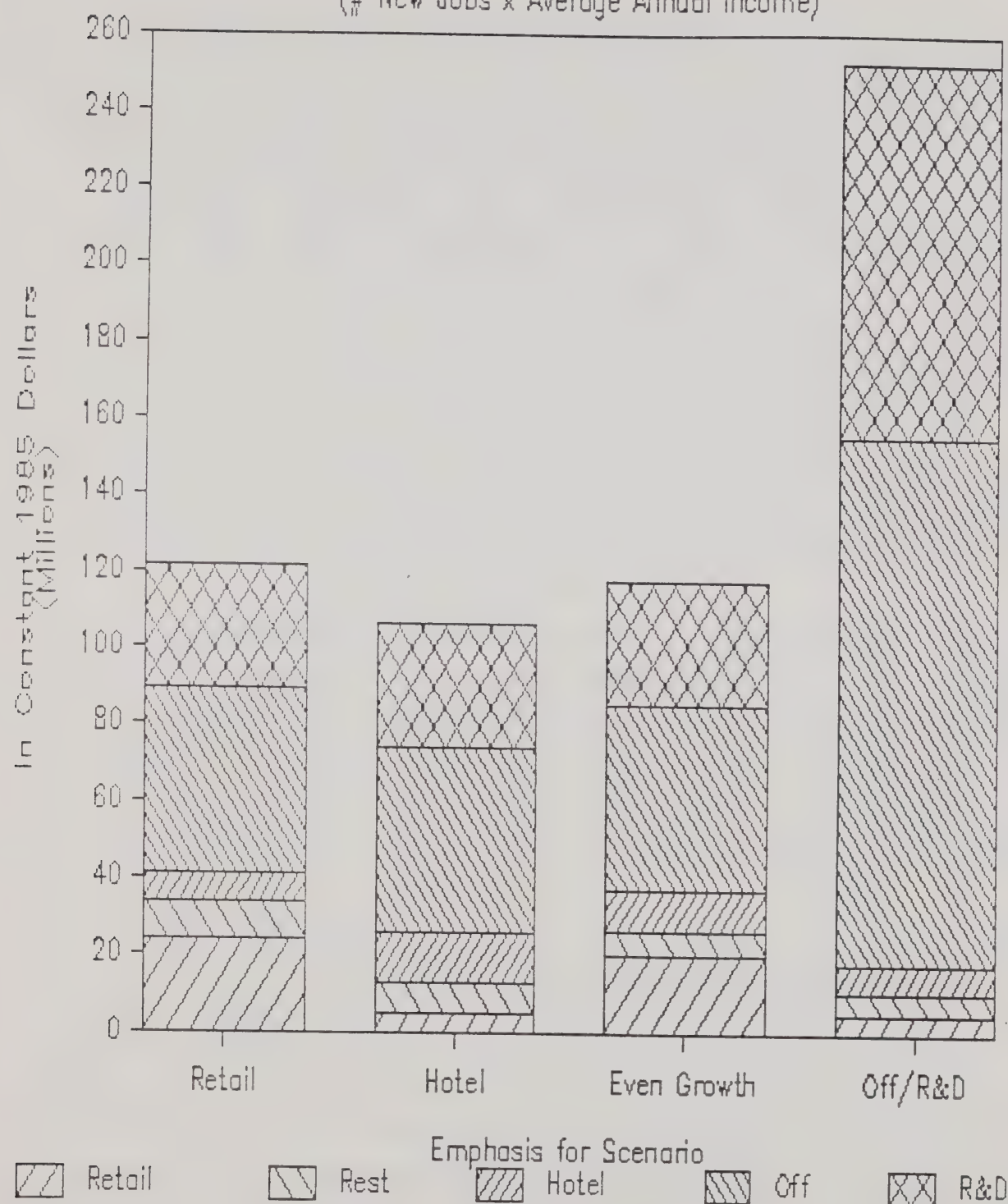
POPULATION IMPACTS

Not every new job created will attract a new person into the area to fill that job. There are currently approximately 10,000 unemployed workers within Santa Barbara County, and some of the new jobs created are expected to be filled by currently unemployed local workers. The indigenous workforce in the immediate vicinity will also increase over the 1985 to 2000 period due to the maturation of local children into young adult workers, and due to increasing labor force participation on the part of older adults who

FIGURE 4

Total Initial Wage & Salary Income

(# New Jobs x Average Annual Income)



find they must enter the workforce or work more hours to keep up with living costs.

In-migration to fill new jobs is estimated after deducting a portion for new employment for local residents. However, a new household is not necessarily formed for every new migrant. Some new workers attracted into the area will team-up to look for housing (e.g., several waitresses sharing the same house). In addition, some new households attracted into the area will contain more than one wage earner in the long run, thereby further reducing the number of new households required per job.

The estimates used to describe each land use in terms of new household formation rates, and household sizes associated with new jobs are described in Appendix B1. From these estimates, the incremental new population presented in Figure 5 is projected for each development scenario. It should be noted, however, that while the new jobs were projected for the City of Santa Barbara only, the new population of workers in these jobs will be distributed throughout the South Coast region.

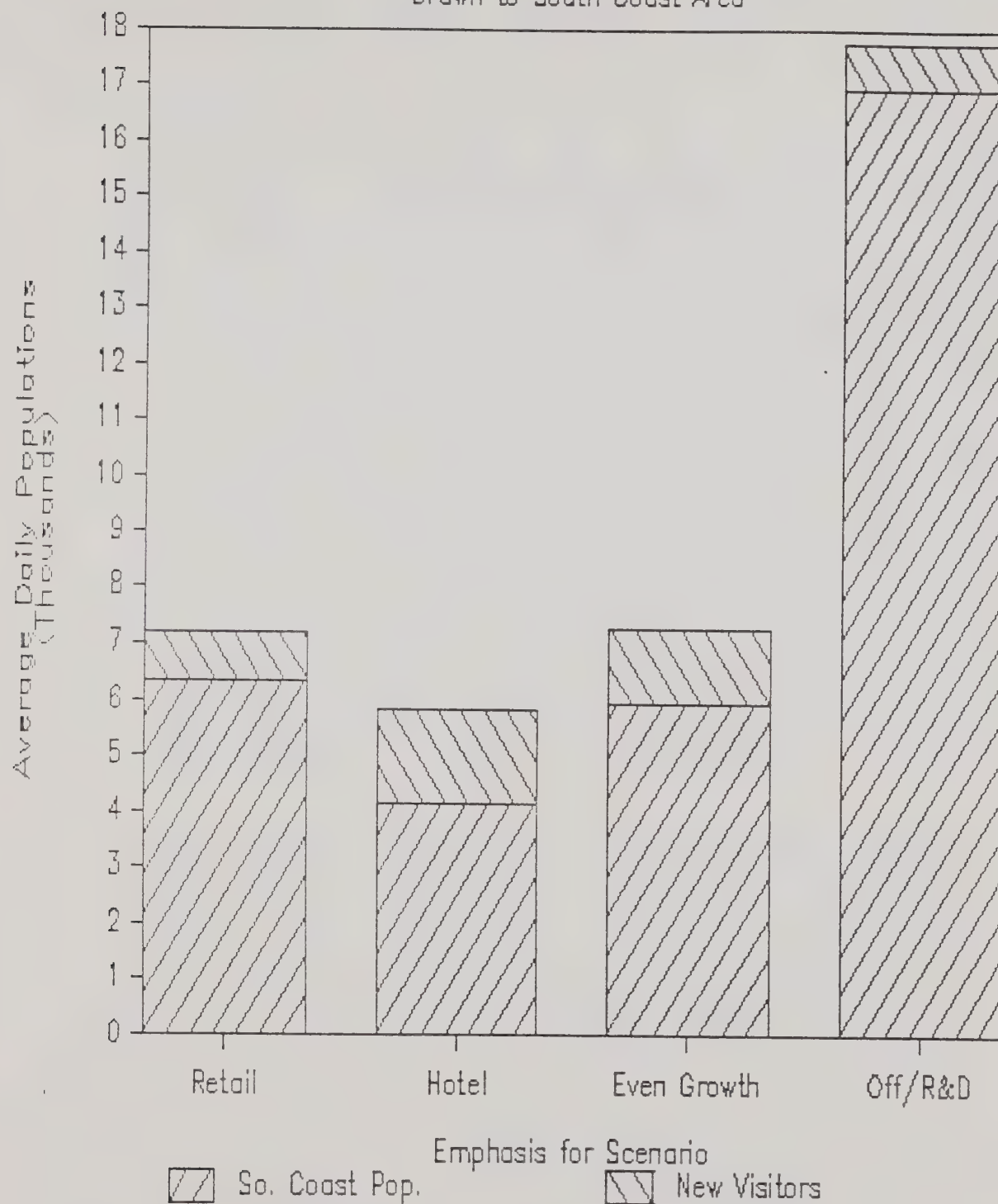
As with job creation impacts, Scenario 4 emphasizing office and R&D development also generates the largest population impact. After accounting for the re-employment of the locally unemployed and for new jobs filled by the expansion of the local labor force, Scenario 4 still would attract almost 17,000 new people into the South Coast region by the year 2000. The other three scenarios are similar to each other, and attract fewer people, from 4,000 to 6,000.

Figure 4 also presents estimates of new volumes of overnight visitors attracted to the South Coast area by additional hotel development within the City limits. Visitor impacts are calculated directly from new hotel and conference space construction. The presence of conference space serves to increase the occupancy of surrounding hotel facilities, by expanding the meetings and conventions segment of the business. Obviously, Scenario 2 emphasizing hotel development generates the greatest increase in overnight visitation. As can be seen in Figure 5, Scenario 2 has the lowest

FIGURE 5

New Population and Overnight Visitors

Drawn to South Coast Area



population impact, but when new residents and new visitors are combined, this serves to further equalize the impacts of Scenarios 1, 2 and 3 in terms of new people attracted into the area.

HOUSING IMPACTS

The same growth in the Santa Barbara housing stock is postulated for all four Scenarios. A total of 3,459 units are assumed to be built, which is roughly equivalent to a ten percent expansion of the existing housing inventory in the City. Because the housing growth estimates are postulated to be the same, the impacts of new residents are essentially the same for all four scenarios. In all likelihood, additional commercial and industrial development will occur in Goleta and other South Coast communities over the next 15 years. Furthermore, retirees, second-home buyers, and others with no local employment needs will continue to seek housing in the South Coast area. ERA believes the demand pressure on the Santa Barbara housing market is sufficient to fill the planned 3,459 units over the next fifteen years even without any further commercial growth within the City. Additional commercial development within the City serves only to increase the number of local employees needing Santa Barbara housing, and thus adds pressure to an already high pressure housing market, and influences the socio-economic mix of residents in the City.

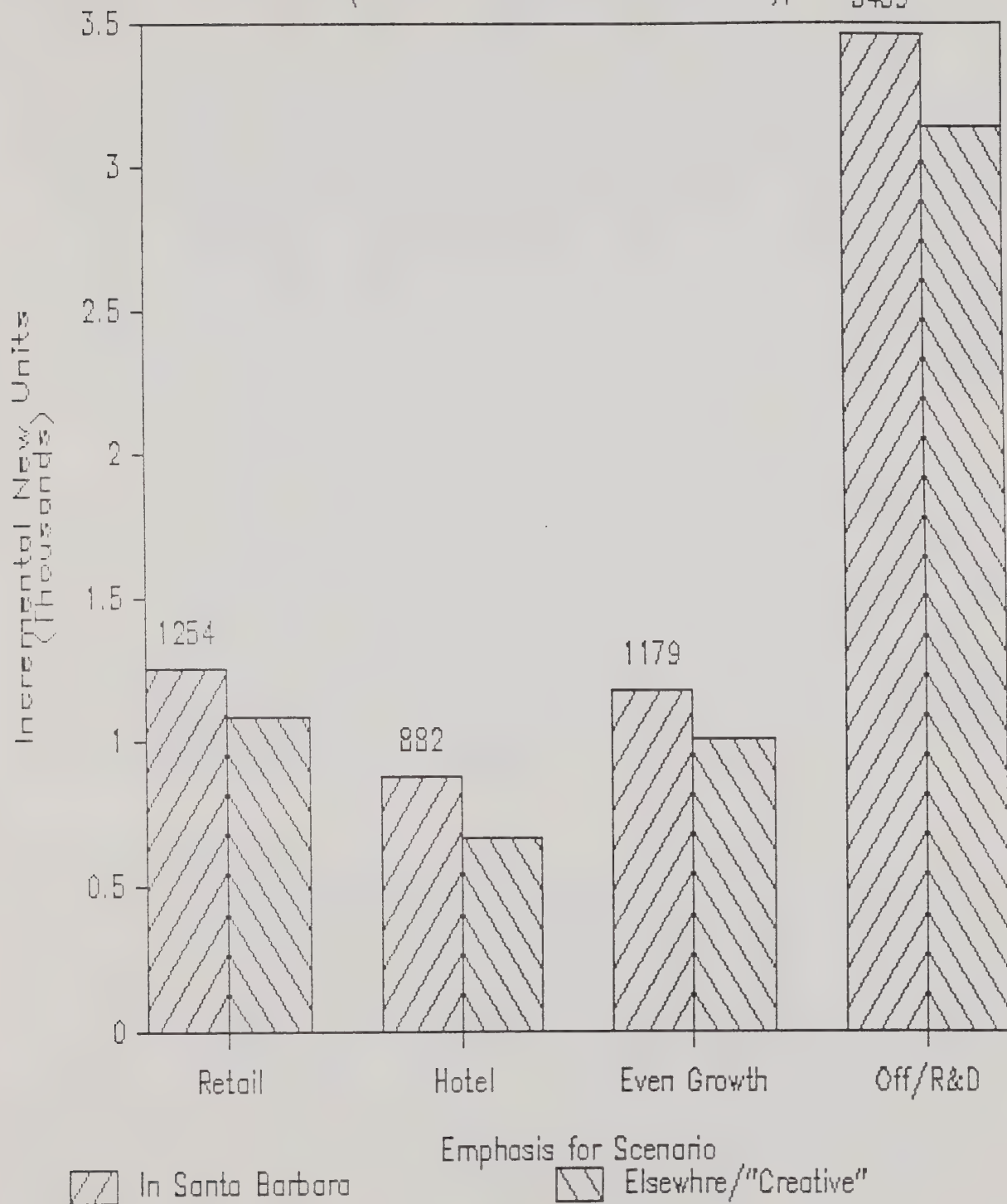
Figure 6 presents a graphic accounting of the new households formed or migrating into the area in response to increased job opportunities for each scenario, and depicts the severity of additional demand pressure placed on the Santa Barbara housing market. There is an assumed "need" for a housing unit by each new household. However, not all of these new households will have the financial resources or the inclination to live within the city limits of Santa Barbara in traditional housing units. The left bar for each scenario in Figure 6 depicts the number of households demanding traditional housing within the city limits. For the first three scenarios, new employment based households would fill up roughly 25 to 35 percent of the new housing to be developed in the City. In the case of

FIGURE 6

Total Additional Housing Demanded

(3459 New Units to be Built in City)

3459



Scenario 4, however, the demand by new office and R&D employees would be sufficient to fill every new unit built in Santa Barbara between 1985 and 2000.

Furthermore, the analysis of each scenario recognizes that a portion of the population will either not be able to afford traditional housing within the City, or will not be able to find housing because it is too crowded. The second bar for each scenario in Figure 6 depicts the additional households attracted to the area who will require housing elsewhere in the South Coast area, or who may seek more "creative solutions" to housing problems by doubling up with other families, renting garages, or finding other non-traditional residential spaces within the city, rather than commute from outside Santa Barbara.

The scenario emphasizing hotel development would have the lowest housing demand, but the first three scenarios all have very similar housing demands both within the City and elsewhere in the South Coast region. The scenario emphasizing office and industrial/R&D development would not only place intense pressure on the Santa Barbara housing market but would create a significant spill-over effect of attracting households who would then require housing elsewhere in South Coast communities, or who would be forced into non-traditional forms of housing.

VISITOR IMPACTS

The long run demand pressure for lodging and visitor services in the South Coast area is driven primarily by increasing population growth in the Los Angeles Metropolitan area. As Los Angeles continues to grow rapidly into the next century, demand pressure on Santa Barbara lodging facilities is likely to remain high. If the City of Santa Barbara chooses not to build additional facilities to accommodate these visitors, visitation and the concomitant tax revenues and economic gains are likely to be captured by other South Coast communities (a more thorough discussion of these issues was presented in Part A of this study).

The additional overnight visitors attracted into the area by additional commercial hotel and motel room development in Santa Barbara was presented in Figure 5. Figure 7 presents the spending by these visitors in restaurants and retail establishments off-site, in addition to the spending captured directly by hotels for rooms and on-site food and beverage.

The positive economic impacts of increased visitation are largest for the scenario emphasizing hotel development. Visitor spending in this scenario is projected to exceed \$80 million per year by the year 2000. Visitor spending for the even growth scenario is next at approximately \$65 million per year. Scenarios 1 and 4 are roughly equivalent at just over \$40 million per year.

EXPANSION OF THE ECONOMIC BASE AND PERSONAL EARNINGS

Expanding the inventory of commercial space in Santa Barbara will allow for the expansion of economic activity within the City. Some of these activities will be "basic" to the local economy, in that they attract new money into Santa Barbara from outside the region (or retain money in the region which would otherwise have flowed outside to surrounding counties). Other activities housed in the new commercial real estate will primarily serve local residents and businesses thus merely recirculating money which already exists in the Santa Barbara economy.

For the specific mix of commercial real estate expansion postulated for each scenario, an expansion in basic economic activity has been estimated (see Appendix B1). Basic economic activity has a multiplier effect on the local economy as dollars brought into the region are spent and respent by local residents. Applying this multiplier theory of economic activity, the total economic impact of the real estate development in each scenario is depicted in Figure 8. As with job, population, and housing impacts, the largest total economic impact is found in Scenario 4, emphasizing office and industrial/R&D development.

FIGURE 7

Visitor Spending

By Overnight Hotel/Motel Guests in City

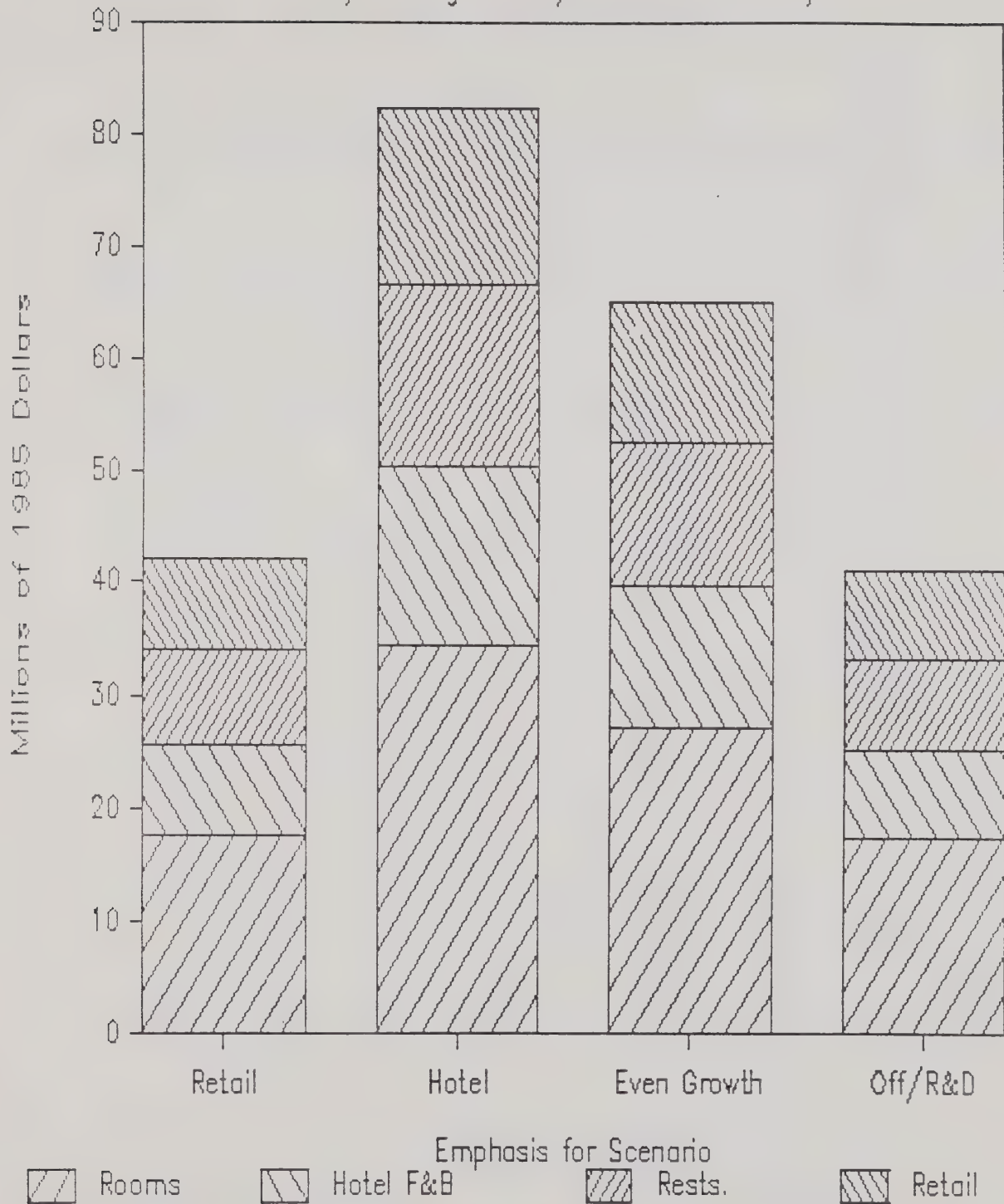
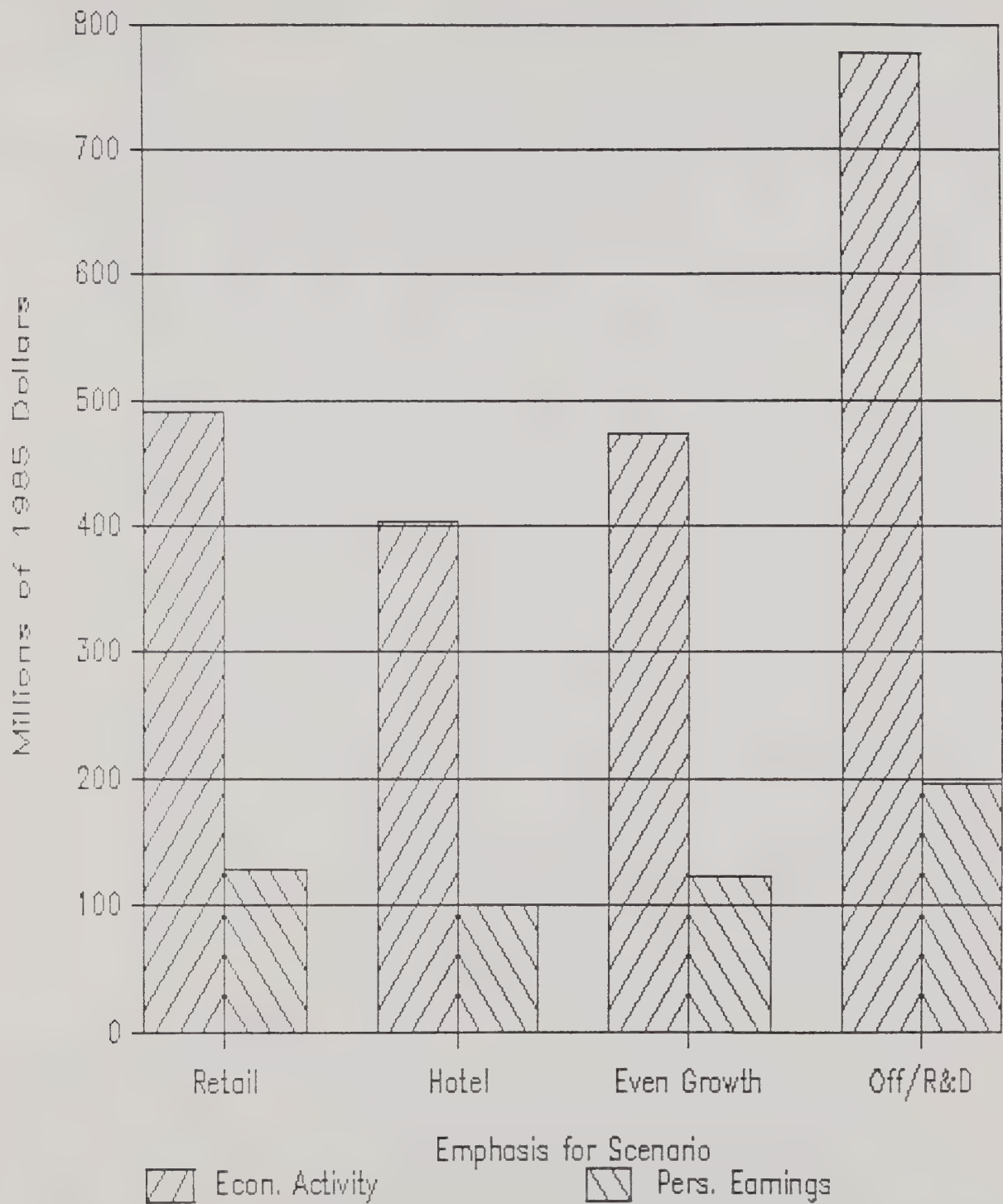


FIGURE 8

Total Economic Impacts



Scenarios emphasizing retail development and an even distribution of growth have roughly similar impacts in terms of generating total economic activity within the region. The scenario emphasizing hotel development is somewhat less.

Economic multiplier theory also allows for the estimation of total personal earnings generated by expanded "basic" economic activity. Personal earnings is a measure of the money which eventually flows into the pockets of employees and proprietors within the local economy. Only a third to a quarter of total economic activity eventually becomes personal earnings, and the relative amounts of personal earnings among scenarios closely parallels that of total economic activity.

However, the amount of new earnings are not as directly proportional to the number of new people attracted into the local area. In Figure 9, the level of new earnings generated by the alternative growth scenarios is divided by first the new population and visitation volume generated by each scenario, and second, by the total population in Santa Barbara projected in the year 2000. The relative rankings of these two indicators of earnings vary by scenario. Scenario 1, emphasizing retail development, generates the most earnings within the local economy in relation to the number of new people attracted into the area. The scenarios emphasizing hotel and an even growth distribution rank similarly according to this indicator.

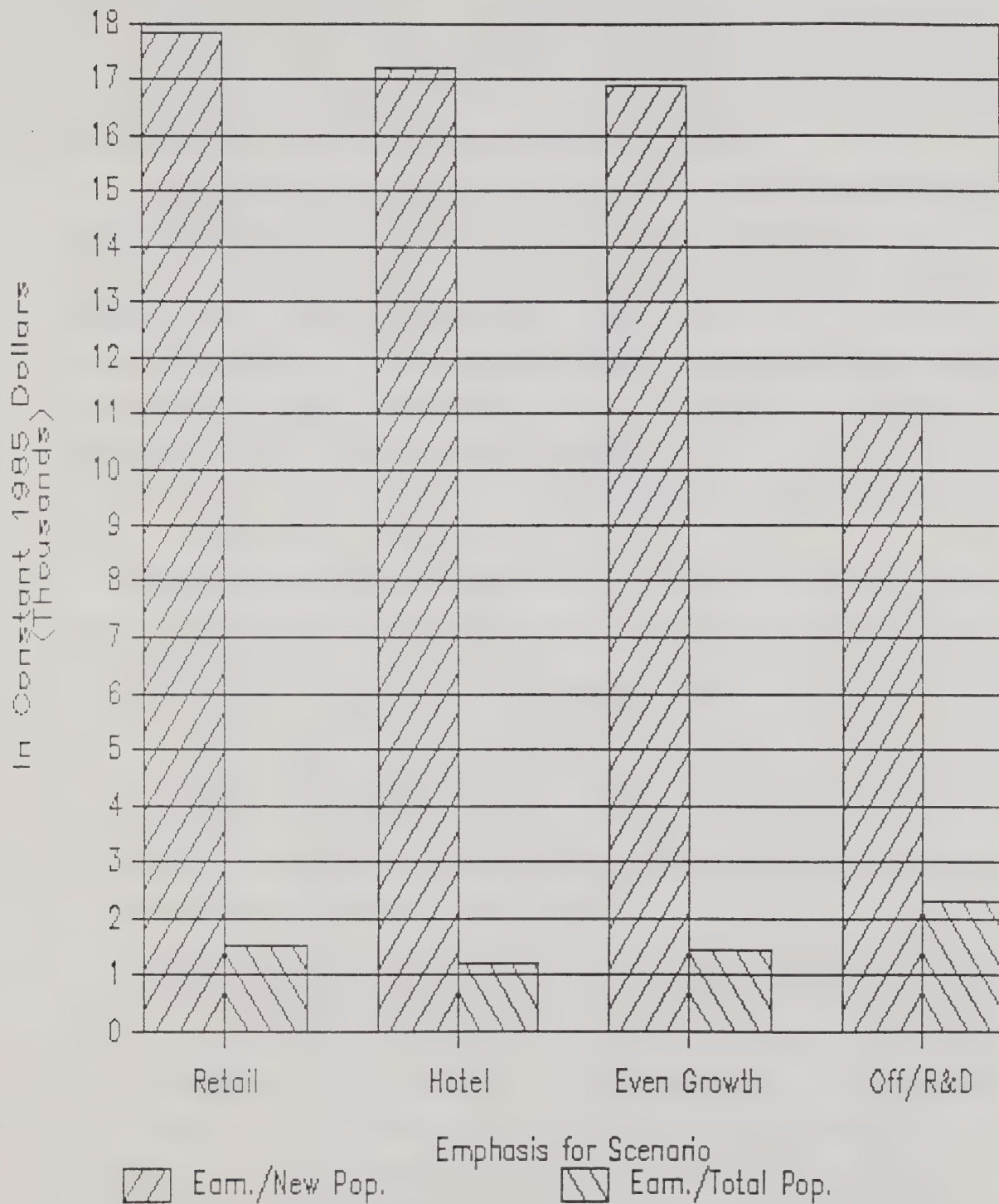
In relation to the total population in the year 2000, Scenario 4, emphasizing office and industrial/R&D development, generates the highest earnings per capita. According to this indicator, the retail scenario ranks second, with the even growth scenario ranking a close third.

TRANSPORTATION SYSTEM IMPACTS

The impact of alternative growth scenarios on the City's transportation system was analyzed by EIP (and is documented further in Appendix B2). The level of development in each growth scenario has been distributed to three major areas of the city -- the Downtown, Outer State

FIGURE 9

Percapita New Earnings



Street, and the Waterfront ---in order to examine future traffic conditions. The original description of the projects included in Scenario B of the Master Water Plan developed by the City Planning Division provided the basis for the distribution. This exercise is similar to the analysis carried out in the recent Environmental Impact Report on the General Plan Circulation Element Update (Draft EIR published October, 1985).

The primary concern of this analysis is to determine whether the volume of traffic generated by the scenarios is consistent with city policies and planned growth as defined in the previous transportation planning studies done for these three areas of the City. Growth in the Downtown is projected in the Downtown Retail Expansion Traffic and Parking Study (DREPTS) (1981). Outer State Street development is analyzed in The Outer State Street Area Transportation Study (1979) and the Waterfront development is the subject of the Waterfront Area Transportation Study (WATS).

The approach taken in the analysis of transportation impacts of the scenarios is to designate Scenario 3 as a "neutral impact" projection and then compare the remaining scenarios to it to identify the relative impacts. The reason for this approach is that Scenario 3 is based on the three studies listed above which have guided City transportation policy in the past few years and have provided some basis for capital improvement planning and programming. By comparing the other scenarios to the even-growth projection, it is possible to identify how particular land uses may change the transportation outlook of the City.

The projection for Scenario 3 is generally consistent with the above studies, although because it omits an expansion of the La Cumbre Shopping Center that is no longer planned, it is about 25 percent lower than what had been forecast in the Outer State Street Study. Also, it is near the low end of the range of projections in the WATS study for the Waterfront. It should be noted that the projection in the DREPTS study indicated that 15 to 20 intersections in the Downtown would operate at a level of service lower than C as a result of planned growth. The City is developing a variety of

transportation projects and programs to address this situation. With transportation improvements in place, only four intersections are expected to operate below level of service C. However, it is important to note that even the "neutral impact" scenario somewhat exceeds existing traffic capacity in the Downtown and that any further increases in traffic generated by the other scenarios would exacerbate this situation.

Given the distribution of land use, average daily traffic (ADT) and pm peak hour traffic were calculated for each scenario. The absolute increases in trips (per day and per pm peak hour) are shown in Figure 10 for each area of the city. It is apparent from Figure 10 that the four scenarios have similar traffic impacts in the Waterfront Area. In the Downtown and Outer State Street areas, Scenario 1 (retail emphasis) generates the most average daily traffic and Scenario 2 (hotel emphasis) generates the least. Downtown afternoon rush hour traffic would be equally bad under Scenario 4 (office/R&D emphasis) or Scenario 1.

Looking at total traffic volumes and taking Scenario 3 as a base, the variation in trips is at most about six percent across the three areas of the City under analysis. Figures 11 and 12 show the variation in ADT and peak hour trips among the scenarios with Scenario 3 as a base. For example, in Figure 11, the retail emphasis scenario is about one percent higher than Scenario 3 in the Downtown, while the hotel scenario is more than five percent lower. The office/industrial scenario is also lower in ADT in the downtown; however, Figure 12 indicates that the office/industrial scenario is higher than Scenario 3 and about equal to the retail scenario in terms of peak hour trips Downtown.

The significance of the variations shown in the graphs depends upon the available traffic capacity in each of the areas. The small increases in peak hour trips from Scenarios 1 and 4 (emphasizing retail and office) in the Downtown are nonetheless significant adverse impacts due to the severe lack of existing traffic capacity in that part of the City. Sufficient capacities may be available in most Waterfront area intersections once the planned freeway improvements and street extensions are completed.

FIGURE 10

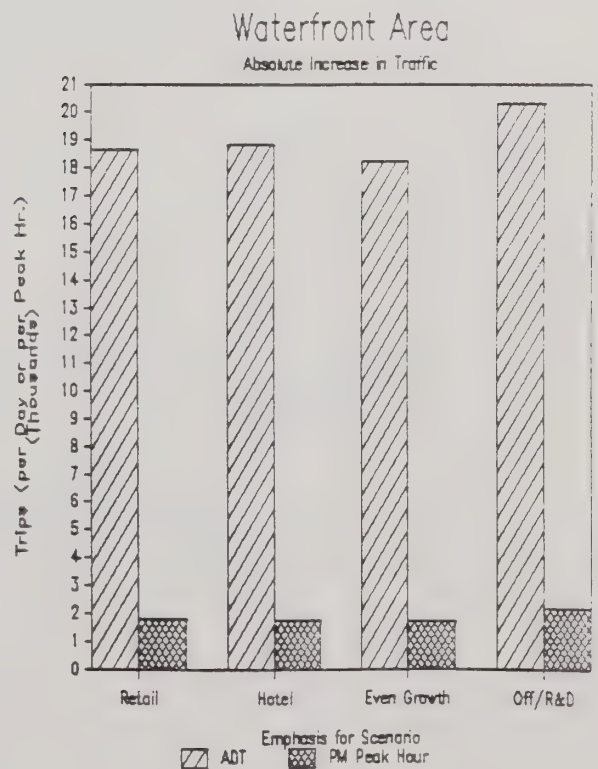
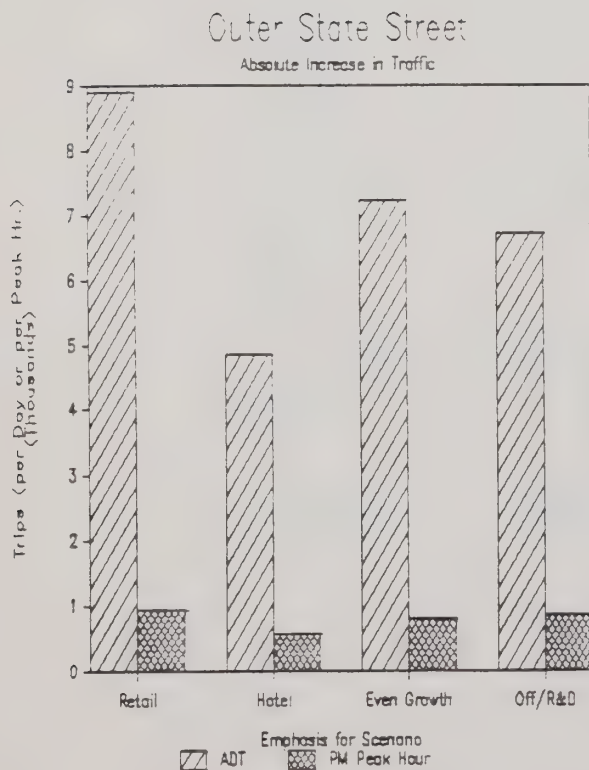
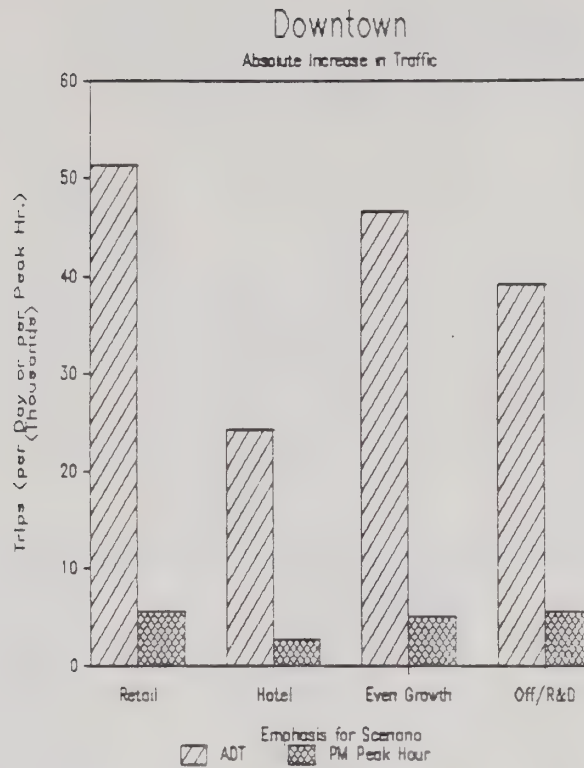


FIGURE 11

Percent of ADT

Difference from Even Growth Scenario

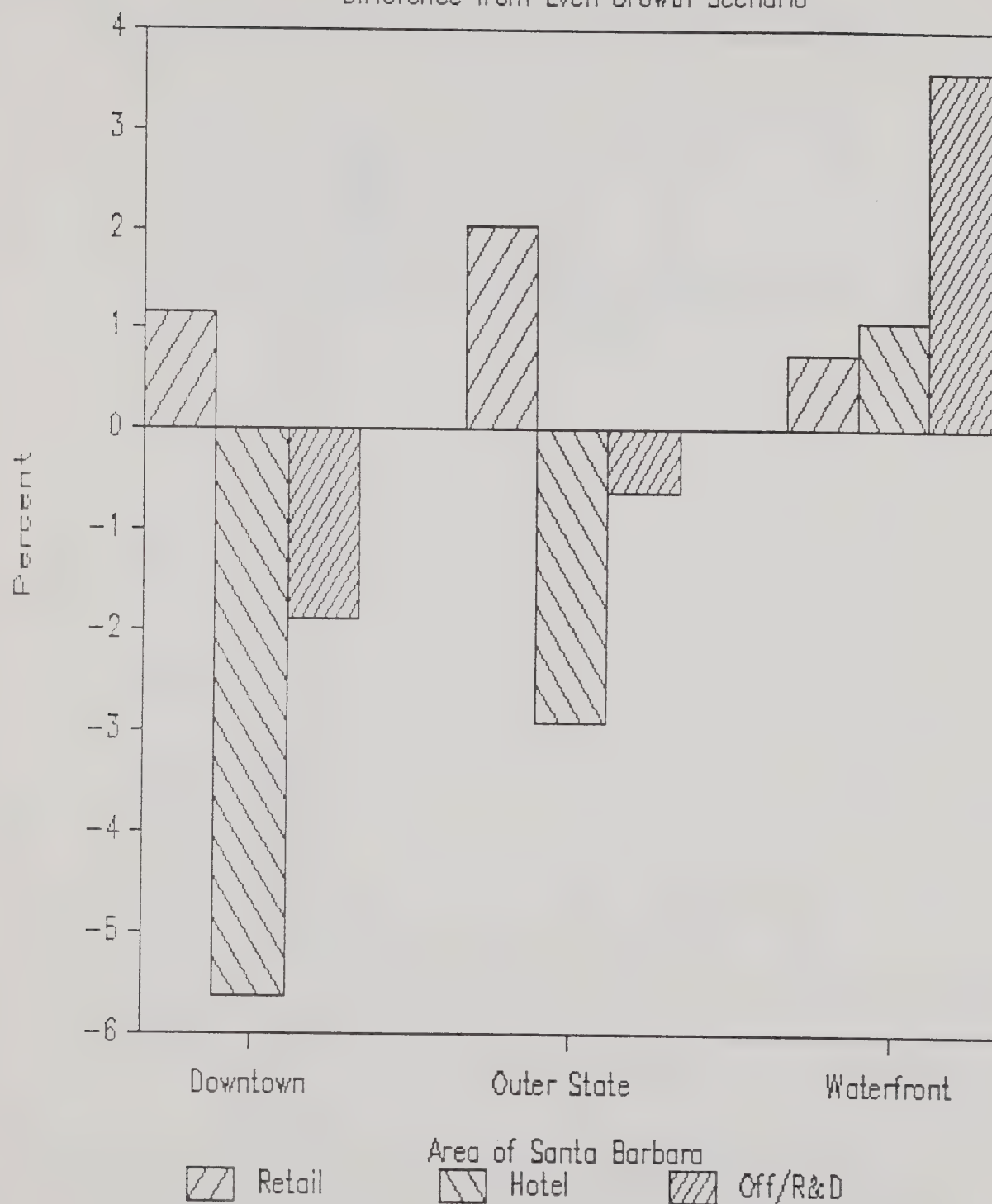
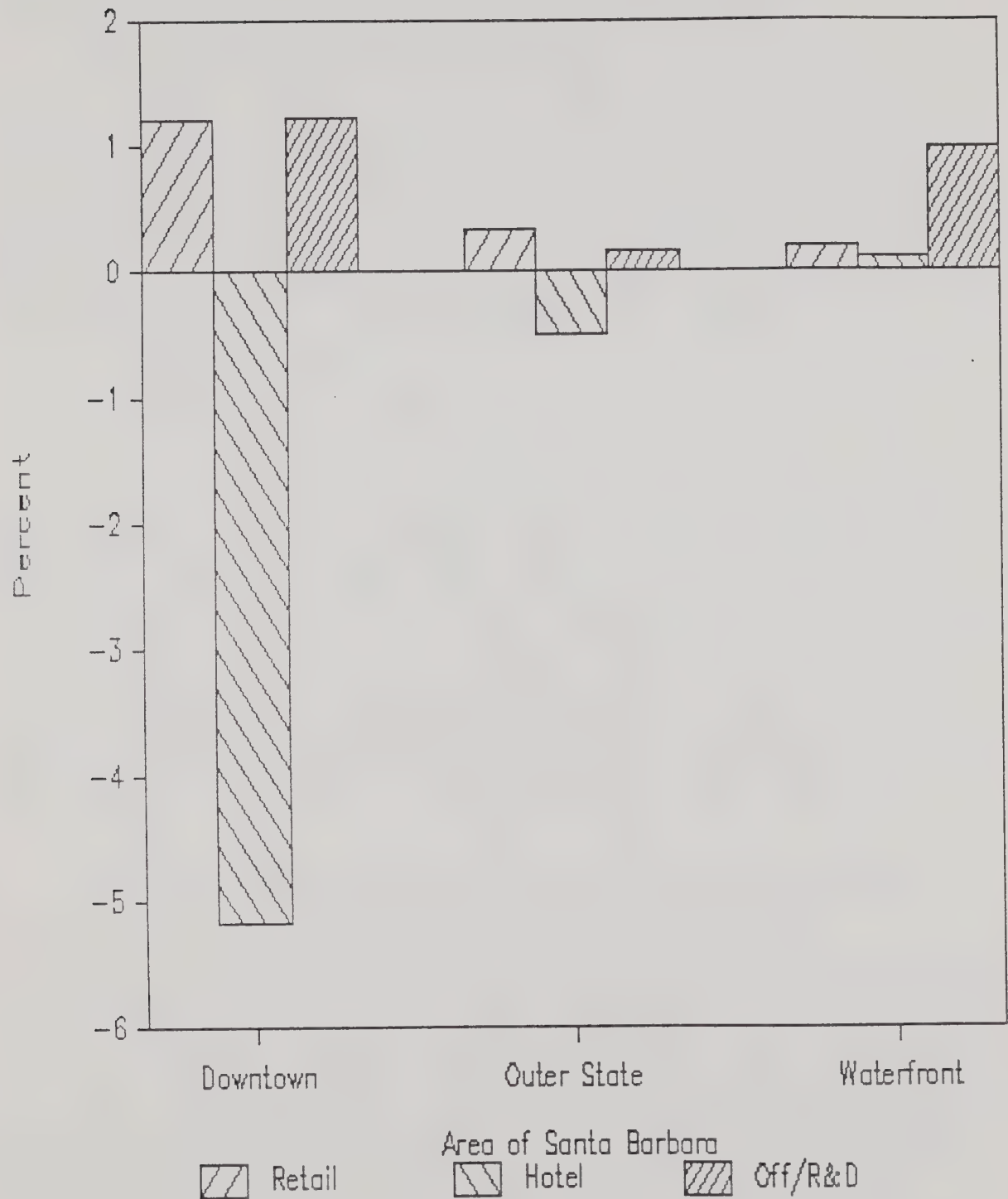


FIGURE 12

Increment of Peak Trips

Difference from Even Growth Scenario



Capacity improvements are also planned for the Outer State Street area. However, preliminary environmental reports suggest that the increased capacities from these improvements may be absorbed quickly.

The costs of making transportation improvements will be significant. The city has been planning to handle the level of traffic projected in Scenario 3 (based on the DREPTS, WATS, and Outer State Street studies). Over \$3 million has already been spent by the Redevelopment Agency on traffic mitigation Downtown in the form of peripheral parking lots, shuttle busses, and other improvements. In the six-year capital budget, the city currently has programmed the following approximate costs:

- \$3 million Downtown;
- \$9 million along Outer State Street; and
- \$1 million in the Waterfront Area.

However, not all of these programmed costs are currently funded. For example, the Outer State Street costs include a \$3 million overpass which may, or may not, be built by the state. Furthermore, the studies on which costs have been based are now five to seven years old. Costs and proposed methods of transportation improvements are subject to revision in new studies currently underway (including the update of the DREPTS study, the new EIR on Outer State Street, and the updated Circulation Element of the General Plan).

Due to its consistency with previous planning studies, Scenario 3 also forms the best basis for discussing the capital costs of transportation improvements across scenarios. To the extent that Scenarios 1 and 4 increase peak hour traffic volumes Downtown, the capital costs of expanding capacity to handle that traffic are likely to be greater than in Scenario 3. On the other hand, there are only so many things which can be done to expand street capacity short of major changes which would change the character of Downtown (such as tearing up sidewalks or knocking down buildings to widen streets). As it becomes more difficult to expand capacity, scenarios which generate higher traffic volumes will generate

greater traffic congestion in real terms. In this sense, both the retail scenario and the office/R&D scenario are likely to generate more capital costs and/or more Downtown rush hour congestion than the form of even growth which the City has already been planning for.

ANALYSIS OF ONGOING FISCAL IMPACTS

Additional commercial real estate development within the City will generate added revenues for the City of Santa Barbara through the property tax, the sales tax, and other taxes. On the other hand, additional costs of service will also be generated on an on-going basis to provide municipal services to the increased number of visitors, additional employees and new residents of the City. Figure 13 presents a comparison of fiscal impacts across scenarios measured in terms of the average annual cost/revenue flow in the year 2000 (in constant 1985 dollars). The cost/revenue flows in Figure 13 refer only to the additional fiscal impacts imposed by the additional real estate development. Thus, this analysis is independent of the on-going fiscal condition reflected in the 1985 budget for the rest of the Santa Barbara community.

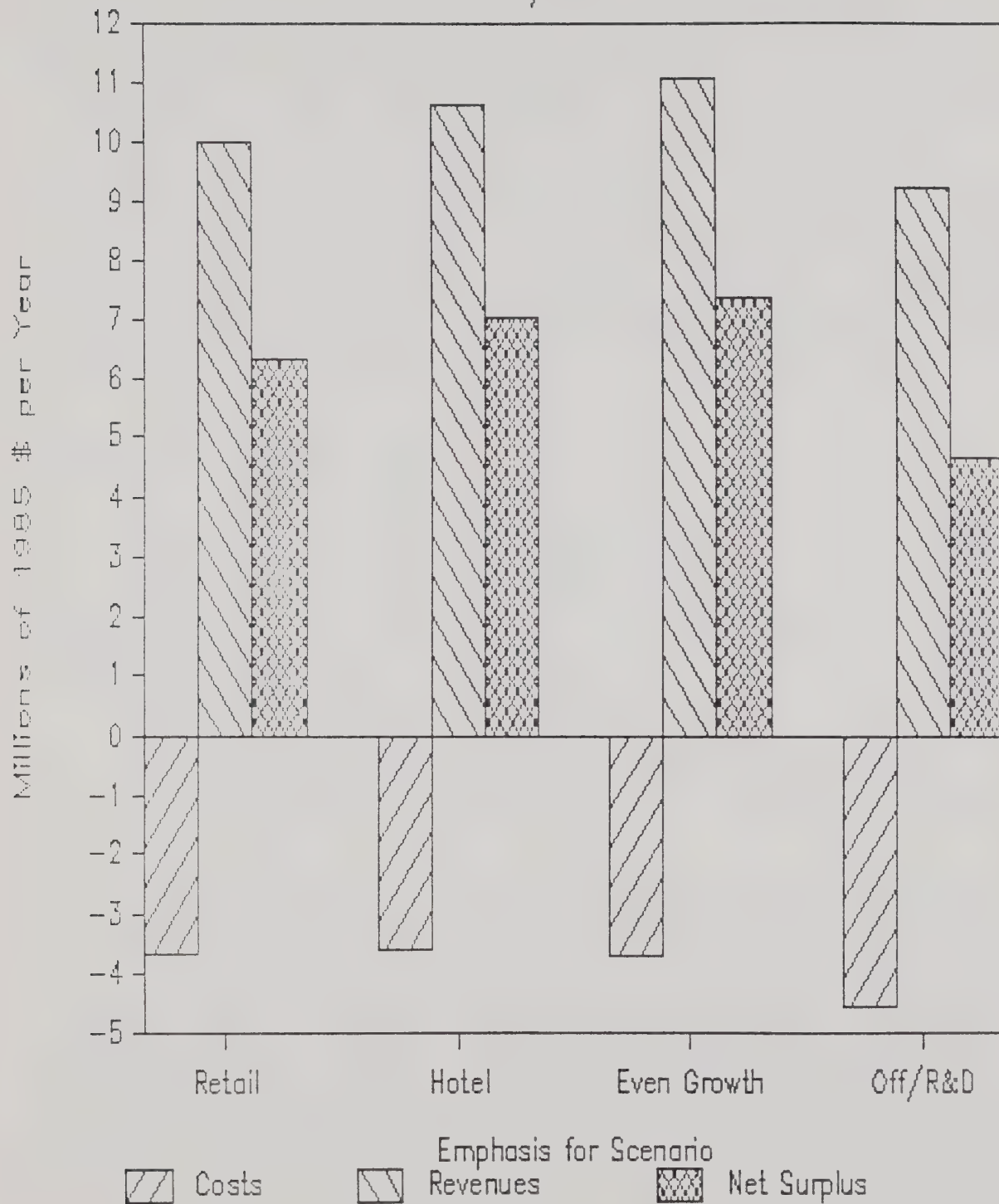
Figure 13 also does not include the one-time capital costs which may be necessary to support each Scenario's postulated new development. For example, the \$10 to \$15 million in transportation improvement costs discussed above are not included. Other capital needs of the City which are required by all scenarios (such as a new dam or other water system development) are also not included.

As can be seen in Figure 13, Scenario 4, emphasizing office and R&D development, which had the largest impacts on jobs, population, and economic activity, also has the largest impact on municipal service costs. This negative finding is compounded by the finding that the Scenario 4 also generates the lowest fiscal revenue stream for the City. Consequently, Scenario 4 generates the lowest net fiscal surplus of all four scenarios.

FIGURE 13

Fiscal Impacts

Ave. Annual Cost/Revenue Flow in 2000



The highest fiscal surplus is generated by the even growth scenario. This finding is somewhat surprising given the known contribution to municipal revenues from intense retail development, or intense hotel development (through the sales tax and the transient occupancy tax, respectively). However, due to the way the alternative scenarios were formulated, with respect to the even growth scenario the scenario emphasizing retail generates more sales tax, but less transient occupancy tax, and the hotel scenario generates more transient occupancy tax, but less sales tax. However, when combined, the even distribution of growth scenario generates more money from the two revenue sources than either Scenario 1 or Scenario 2. The on-going marginal service costs from all three of these scenarios are very similar.

PREFERRED DEVELOPMENT PATTERN

The choice among alternative futures described by the scenarios in the analysis obviously depends upon which impacts one values. Such value judgements must ultimately be left to the political leadership in Santa Barbara. Policy implications as seen by the consultants were presented in more detail in the summary report to this study.

A few obvious comparisons between scenarios are made here. The impact estimates underlying the foregoing graphic analysis are presented in Table 2.

Scenario 4, emphasizing intensive office and industrial/R&D development generates the greatest number of jobs, and the greatest economic impact in terms of total activity and in terms of new earnings for Santa Barbara residents. On the other hand, the same scenario generates the greatest population increase, places the most intensive pressure on the Santa Barbara housing market, postulates the greatest building volume among the scenarios and generates the smallest fiscal surplus for on-going City operations.

Table 2

SUMMARY OF IMPACTS BY SCENARIO

<u>Form of Incremental Impact</u>	<u>Unit of Measurement</u>	<u>1-Retail Emphasis</u>	<u>2-Hotel Emphasis</u>	<u>3-Even Growth Distribution</u>	<u>4-Office/ R&D Emphasis</u>
New jobs in the city	Jobs	7,263	6,081	7,025	12,488
Jobs filled through in-migration	Jobs	3,263	2,081	3,025	8,488
New population in the South Coast	People	6,340	4,147	5,934	16,915
Additional demand for South Coast housing units	Units	2,344	1,553	2,187	6,602
Units demanded in the city	Units	1,254	882	1,179	3,459
Those requiring units elsewhere or "creative solutions" within the city	Units	1,090	671	1,088	3,143
New hotel rooms	Rooms	842	1,574	1,302	842
Increase in average number of visitors per day	People	871	1,702	1,345	853
Increase in visitor spending	1985 \$ Millions	\$42.1	\$82.3	\$65.0	\$41.2
Incremental economic impact	1985 \$ Millions	\$491.6	\$403.2	\$473.7	\$777.4
Incremental personal earnings	1985 \$ Millions	\$128.6	\$100.7	\$123.0	\$195.8
Annual fiscal surplus	1985 \$ Millions	\$6.3	\$7.0	\$7.3	\$4.6

Source: Economics Research Associates

Scenario 3, emphasizing an even distribution of growth, constitutes a good reference point when evaluating the other two scenarios. Relative to the even growth scenario, the emphasis on hotel development generates the largest volume of visitor spending, and the lowest population impact (and lowest housing need), but also attracts the greatest number of visitors into the area, and creates the lowest overall economic impact and earnings impact among the four scenarios. Scenario 1, in spite of its intensive retail building, generates only slightly more economic impact and earnings than does the even growth scenario. In return it creates a slightly greater population and housing impact, and generates less of a fiscal surplus for the City.

APPENDIX B1

ECONOMIC APPENDIX TO PART B

SANTA BARBARA ECONOMIC FORECAST AND
HOTEL/TOURISM STUDY

Prepared By:

ECONOMICS RESEARCH ASSOCIATES

INTRODUCTION

The focus of Part B of the Economic Forecast and Hotel/Tourism Study is a comparison among four alternative growth scenarios for the City of Santa Barbara. In Part B, the differential impacts of growth (in relative orders of magnitude) are graphically arrayed side by side to facilitate comparisons.

The focus of this technical appendix is on the methodology used to estimate the various impacts of each scenario. The quantitative estimates and economic assumptions underlying the graphic presentation of impacts in Part B are presented in computer generated tables at the end of this appendix. For each of the four alternative growth scenarios, there is a separate set of seven sequential tables containing quantitative economic impact estimates.

BASIS FOR ANALYSIS

This analysis is based upon four scenarios depicting alternative growth patterns for the City of Santa Barbara over the coming fifteen year period from 1985 to 2000. The forces determining growth patterns in Santa Barbara will be somewhat different from those traditionally found in less constrained urban environments. Normally, economic activity and growth (including employment growth, residential population growth, and growth in visitation) can be envisioned as creating a demand for real estate products (i.e., the housing units and commercial building shells to house employees and activity). The local real estate market in turn satisfies that demand by supplying new development. This new development, and the economic and human activity housed therein, then places further demands on such physical resources as water and sewage capacity, and local transportation networks.

In the current Santa Barbara situation, however, the market dynamics are reversed. Water and transportation resources are known to be constrained, and will be depleted long before the 15 year time horizon if traditional market forces are allowed to stimulate growth unchecked. In the

situation faced by the City of Santa Barbara, it is reasonable to assume that the demand for housing units and buildings to house economic activity will be greater than can be physically accommodated over the next 15 year period. Thus, resource constraints justify use of land use controls to regulate the amount of new commercial real estate development to be allowed between now and the year 2000.

In this situation, population and economic activity can expand within the city limits only to the extent that it can be more intensely packed into existing buildings, or to the extent to which new real estate development is allowed. Where population and economic growth are traditionally seen as "causing" the need for new real estate development, in this case allowing new real estate development can essentially be seen as "causing" population growth, increased overnight visitation in commercial facilities, and economic growth in the community.

DESCRIPTION OF SCENARIOS

Four alternative real estate growth scenarios have been formulated as the basis for this analysis. The four different development emphases by scenario are:

- 1) Retail emphasis;
- 2) Hotel emphasis;
- 3) Even distribution of growth; and
- 4) Office/R & D emphasis.

Each of the four alternatives are analyzed in a set of tables at the end of this Appendix.

In each scenario's set of tables, Table 1 presents an accounting of the current inventory of various commercial land uses (in terms of thousands of gross square feet of building area) within the city limits of Santa Barbara. Each scenario begins with the same 1985 base inventory. The first table for each scenario then goes on to present the incremental development (by land use) which characterizes an alternative development future for the city.

The largest increment in retail building is postulated for the "retail emphasis" scenario, the largest increment in hotel building is postulated for the "hotel emphasis" scenario, and so on.

Also presented in each Table 1 is the amount of incremental development expected to occur within the city's redevelopment area. These inventories are used in the analysis only to project property tax revenues, which are higher for redevelopment area projects subject to redevelopment tax increment collections.

Not shown in each Table 1 is the amount of residential development anticipated, because the same amount of development is expected to occur in all four scenarios. Between 1985 and the year 2000, a total of 3,459 new housing units are postulated to be developed within the city.

EMPLOYMENT IMPACTS

Table 2 in each scenario analysis begins with an estimate of the new jobs which would be created by incremental development of the various land uses proposed. Employment density factors are used to estimate the number of jobs created per square foot of gross building area. These employment density factors are based on ERA's experience in other market areas, as well as on such local studies as the Regional Growth Impacts Study, "REGIS" (July, 1980) and the Industrial Growth Impact Study for the South Coast (June, 1983).

The same density factors are applied to existing and new building spaces except for retail/services and industrial/R&D development. Most surveys have found an overall average of one job for every 600 gross square feet of existing retail businesses, but ERA expects new retail development in Santa Barbara to be among the most active and productive in the City (i.e., in order to support the costs of new development), and therefore has increased the density factor for new retail to one per 550 square feet. Similarly, ERA expects employment in new industrial/R&D development to be more dense than in the average existing structure, because there will be fewer warehouse/distribution facilities, and more high technology

manufacturing and R&D buildings. For example, surveys in Santa Clara County's Silicon Valley found an average of 17 employees per acre in 1977, and 50 per acre in the type of firms which have located there since 1977. For existing Santa Barbara industrial/R&D development ERA has applied a factor of one job per 350 square feet (corresponding to roughly 30 employees/acre at an FAR of .25), and one per 275 square feet (or 40 per acre) for new development.

The number of square feet required to support each new job by land use is estimated to be:

<u>Land Use</u>	<u>Square Feet Per Job</u>	
	<u>Existing Development</u>	<u>New Development</u>
Retail/Services	600	550
Restaurants	350	350
Office	250	250
Industrial/R & D	350	275
Hotel/Motel	600	600
Conference Space	2,000	2,000

The employment density factor for hotel/motel development corresponds to an average estimate of approximately 0.8 jobs per room. In fact, a distribution of hotel/motel facilities by quality is expected, and employment generation will vary with the service level of the hotel. In all cases, hotel/motel employment estimates include employees of restaurants, retail shops, and other services which function as an integral part of the hotel operation. Thus, a high service level hotel facility such as a Hyatt Regency is expected to employ roughly 1.2 persons per room. On the other hand, a hotel facility with fewer food and beverage services, with less (or no) meeting space, and with limited (or no) room service would employ closer to 0.6 people per room.

Estimates of employment for conference space are actually supplements to hotel development, because no free standing conference center is postulated for these scenarios. In this case the conference space

employment is primarily maintenance and management oriented directly to the conference services offered, but these types of facilities will also employ larger numbers of people in multi-purpose functions (such as bus boys who can work in restaurant facilities yet also assist with set up and service in conference and meeting rooms).

These employment density factors are applied to the incremental growth in each scenario to produce an estimated number of new jobs. Job impacts vary from roughly 6,000 jobs to over 12,000 jobs for the different scenarios between 1985 and 2000.

In addition, ERA also applied these employment density factors to the existing inventory of land uses within the city in order to estimate a current level of employment within the city limits. Public and nonprofit sector employment of roughly 7,500 jobs is assumed, based upon a review of Area Planning Council projections of public employment in the South Coast (less U.C.S.B. employment) and an accounting of jobs in City and County offices within Santa Barbara. Combining these factors, ERA estimates there are currently approximately 54,500 jobs within the City of Santa Barbara.

POPULATION IMPACTS

Not every new job created will attract a new person into the area to fill that job. There are currently approximately 10,000 unemployed workers within Santa Barbara County and over half of these live in the South Coast Area. While a portion of the unemployed lack the skills and capabilities required by new businesses, some of the new jobs created are expected to be filled by currently unemployed local workers. This analysis assumes that a pool of roughly 1,000 unemployed workers with useful skills and abilities is available within reasonable commuting distance of new jobs in the city.

The indigenous workforce in the immediate vicinity will also increase over the 1985-2000 period due to the maturation of local children in the young adult workers, and due to increasing labor force participation into part of older adults who find they must enter the work force or work more

hours to keep up with living costs. In the Area Planning Council's Forecast 85, the Regional Growth Forecast (RGF) projects a net increase of 4,185 workers between 1985 and 2000 in the City of Santa Barbara and in the Santa Barbara Census County Division (excluding in-migration for jobs, and oil and Vandenberg related jobs). Some of these 4,000 new indigenous workers will be attracted to job opportunities in Goleta and elsewhere outside the city. This analysis assumes that roughly three-quarters of these people, or a pool of 3,000, are available to fill new jobs in the City of Santa Barbara.

In the bottom half of each Table 2, 90 percent of all new jobs in the retail, restaurant and hotel industries could potentially be filled by the expansion in the indigenous work force or by local unemployed people. In R&D and office based industries, skill levels will tend to be higher and more specialized on the average, and fewer entry level, job changing or unemployed Santa Barbara residents will qualify for these jobs. However, the total number of new jobs which can actually be filled locally is constrained by the size of the locally available workforce. The jobs which cannot be filled by local residents are assumed to generate in-migration.

A new household is not necessarily formed for every new migrant. Some new workers attracted into the area will team up to look for housing (e.g. several waitresses sharing the same house). In addition, some new households attracted into the area will contain more than one employed person in the long run, thereby again reducing the number of new households formed per job. In the retail, restaurant and hotel industry 0.6 new households are projected to be formed for every new migrating job. Where income and skill levels are higher in R & D office space industry, 0.8 households are projected to be formed for every new job filled by in-migrants.

Household sizes associated with each industry are expected to vary somewhat also, again because lower paid service workers may team up when looking for housing, and due to ethnic family size differences. Households associated with R & D/office based industries are projected at an average size of 2.5 (reflecting a large portion of traditional but small nuclear

families). Household sizes in retail and restaurant industries are projected at 3 persons per household to account for the larger incidence young sharing singles. Household sizes for hotel workers are projected even larger at 3.5 given the observed high incidence of minority employment and larger minority household family sizes.

From these estimates, an incremental new population is projected for each development scenario. It should be noted, however, that while the new jobs are projected for the City of Santa Barbara only, the new population of workers in these jobs will be distributed throughout the South Coast region. The number of new people who will actually live within the City of Santa Barbara depends more upon ability to pay and room within the existing and planned housing inventory, then it does on the job creation itself.

HOUSING IMPACTS

The same growth in housing stock is postulated for all four scenarios, at a 10 percent expansion of the existing housing inventory, or of 3,459 units. Because the housing growth estimates are constant across all four scenarios, housing growth and the concomitant residential population growth are exogenous to the impact model. ERA believes the demand pressure on the Santa Barbara housing market is sufficient to fill these 3,459 units even without any further commercial growth within the city. Depending on the amount of commercial development allowed, these incremental units could be filled by:

- People employed by new jobs within the city limits;
- People employed in surrounding communities and retirees with no current employment; and
- A mixture of both (most likely).

In the scenarios analyzed, commercial development serves primarily to influence the mix of new residents within the city's housing stock, and to put marginal pressure on an already high pressure housing market. A scenario which requires only a small portion of the incremental housing

units planned in order to house the new employees attracted will put relatively little pressure on the housing market. Conversely, a scenario which postulates attracting a large number of new employees will put greater pressure on the city's housing market. Greater pressure translates into increased household sizes (crowding within units) and increased residential real estate prices and rents.

Table 3 in each Scenario is designed to present an evaluation of the additional pressure jobs and population growth will have on the postulated increase in housing supply. Table 2 estimated the number of new households formed by people migrating into the area for new jobs created by commercial real estate development in each Scenario. Table 3 begins with an assumption that each new households creates a "need" for a new housing unit in the South Coast Area. However, not all of these new households will have the financial resources or the inclination to live within the city limits of Santa Barbara.

Table 3 next analyzes average salary levels for each of the industries reflected by the land uses. The average salary levels shown are actually a composite from a variety of statistical sources including the California Employment Development Department (EDD), various wage surveys conducted by the Bureau of Labor Statistics in the U.S. Department of Labor, regional projections of the Bureau of Economic Analysis (BEA) in the U.S. Department of Commerce, and Labor Market Bulletins (also from EDD). Certain inferences are necessary when estimating salary levels by land use, because statistical sources calculate wages and salaries by occupational categories, or by industry, and these must be correlated by land use.

The ability of new workers to live within the city is not only determined by the average wage in their industry, occupation and land use type, but even more by the distribution of wage and salary levels for these worker groups. For example, R & D and office workers not only have high average earnings, but a large percentage of the workers also have reasonably high incomes. Consequently, 60 percent of all office workers and 70 percent of all R & D/industrial workers are estimated to be able to afford housing

prices in the City of Santa Barbara. On the other hand, retail, restaurant, and hotel industries are characterized by an income distribution where the vast majority of workers make relatively little money, and only a few managerial and entrepreneurial people have moderate to high incomes. For this reason only 30 to 35 percent of these workers are estimated to be able to afford housing in Santa Barbara.

Thus, from total housing "need" in the South Coast Area, a separate estimate of the housing units demanded within the City of Santa Barbara is estimated in Table 3. To the extent that fewer housing units are demanded in the city limits than are proposed to be built (3,459 units over the next 15 years), there will be a surplus of new housing within the city available to satisfy other housing needs (e.g. those of retirees, students, and employees working in other South Coast communities). To the extent that the housing units demanded by the new employees in the commercial real estate development postulated for a scenario fill up all the proposed increase in housing in Santa Barbara, great demand pressure will be placed on the Santa Barbara housing market. In at least one scenario, the housing demanded by these new employees actually exceeds that proposed to be built in the city, creating a shortfall of housing in the city alone. For this scenario, housing would be expected to be tight in Santa Barbara, and housing prices would likely escalate dramatically.

At the bottom of Table 3, a separate estimate is made of the number of households requiring housing elsewhere in the South Coast Area or requiring "creative" ways of finding housing in the City. These are simply the number of new households attracted into the area by commercial real estate development posed in each scenario, less the number which are able to find legitimate housing within the City of Santa Barbara. A large number of households requiring housing elsewhere will place additional pressure on the housing markets in Goleta, Monticito, Carpinteria, and unincorporated county areas within the South Coast region. Some of these people will prefer to double up with other families, or rent out garages and other non-traditional residential spaces, rather than to commute into the city.

VISITOR IMPACTS

Table 4 for each scenario analyzes the impacts on overnight visitation derived from additional commercial real estate development. First, the hotel room inventory within the city is estimated to expand at the rate of one new room for every 500 square feet of new hotel development allowed.

Occupancy rates in Santa Barbara were very high (exceeding 75 percent) in the late 1970's, but have dropped off somewhat (below 75 percent) due to rapid hotel construction in the South Coast Area in recent years. However, the long-run demand pressure for lodging in Santa Barbara is driven primarily by increasing population growth in the Los Angeles metropolitan area. As Los Angeles continues to grow rapidly into the next century, the demand pressure on Santa Barbara lodging facilities is likely to remain high. An average occupancy rate in the year 2000 is projected at 75 percent for the new hotel rooms added by commercial construction.

The presence of conference and meeting space in hotel facilities serves to increase average occupancy rates, by expanding opportunities for the meetings and convention oriented hotel business. For this analysis, conference space is projected to increase occupancy in new hotel facilities at the rate of one percentage point per 10,000 square feet of conference space.

From the projected number of rooms and average annual occupancy rate, a net increase in occupied room nights per year can be estimated in Table 4 for each scenario. Similarly, the net increase in hotel-based visitor nights can be estimated using an average hotel party size factor of 1.35 as estimated in the Haug International Visitor's Survey of the Santa Barbara market. Assuming hotel guests spend an average of 24 hours in the area for every night spent in a Santa Barbara hotel room, the number of visitor nights estimated in Table 4 also represents an estimate of increase in visitor days attributable to hotel/motel development.

Spending by visitors is also analyzed in Table 4. Hotel room spending is estimated directly using an average projected room rate of \$75. In other

words, the type of new hotel facilities expected to be built in Santa Barbara would most likely command an average rate of \$75 in today's market.

Spending by visitors on food and other services within hotels, and on restaurants and shopping outside of hotels, is also estimated in Table 4. Per capita spending rates used are derived from the Santa Barbara Visitor's Survey and are as follows:

<u>Spending Item</u>	<u>Expenditure Per Visiting Party in Hotel/Motel Accommodations^{1/}</u>	<u>Daily Spending Per Capita^{2/}</u>
Hotel Food	\$52.38	\$18.48
Other Hotel Expenses	\$19.42	\$6.85
Restaurants (Other than Hotel)	\$74.40	\$26.24
Shopping and Grocery Stores	\$71.83	\$25.34

^{1/}Haug International, "The 1984 Visitor to Santa Barbara: Volume 1", May 1984 (page 24).

^{2/}At 1.35 average guests per hotel/motel party, and 2.1 nights per average stay (Haug International).

Total visitor spending on hotel rooms and all other restaurant and retail services is estimated at the bottom of Table 4.

EXPANSION OF ECONOMIC BASE

Expanding the inventory of commercial space in Santa Barbara will allow for the expansion of economic activity within the city. Some of these activities will be "basic" to the local economy, in that they attract new money into Santa Barbara from outside the region (or retain money in the region which would otherwise have leaked out to surrounding counties). Other activities housed in the new commercial real estate will serve local residents and businesses primarily, thus merely recirculating money which already exists in the Santa Barbara economy. (In practice, many firms will serve both local customers and distant customers, thus part of their business volumes attract new money into the area and are basic to the local

economy, and the other part of their business recirculates money as it serves local interests.)

In Table 5, for each scenario, the basic economic activity generated by new commercial real estate development is estimated. Perhaps the most straightforward example is for hotel/motel room revenues. The vast majority of the money spent in hotel facilities for rooms, food and beverage, and other hotel expenses is spent by visitors who have brought their money into the area from other counties. Consequently, 90 percent of gross hotel revenues are estimated to be basic to the local economy. The other 10 percent of gross hotel revenues reflect dining and entertainment in the new hotel facilities by local residents.

The basic economic impact of additional retail and restaurant development is estimated in an analogous fashion. An estimated 50 percent of the gross sales volume of new restaurant facilities is projected to be basic to the local economy. Note, however, that there is a relationship between restaurants and new hotels, and that a significant portion of the basic economic impact of restaurants can be attributed to restaurant spending by additional hotel based visitors in the area.

Economic impacts of the retail industry are based on the gross retail margin rather than the total gross sales volume, because such a large portion of the value of final retail sales goes to the costs of goods sold (most of which are produced outside of the Santa Barbara area). However, a larger portion of the retail activity in new commercial facilities is expected to be basic to the Santa Barbara economy than is the portion for restaurants, because additional retail facilities will not only capture spending by visitors (including the hotel based overnight visitors), but will also capture retail sales by residents which would otherwise have flowed out of the local economy for lack of retail stores of specific types.

The gross economic product of businesses housed in office and R&D/industrial is harder to estimate than are retail and restaurant products (which tend to have standard productivity standards per square foot of real

estate). For office and industrial based businesses, gross sales generated is estimated as a function of payroll within the firm. Specifically, payroll is estimated to equal 60 percent of the gross product of office users, and 50 percent of the gross product of R&D/industrial space users. Of this total economic activity, 60 percent of the office space activity is estimated to be basic to the Santa Barbara economy, and 80 percent of the R&D/industrial activity. By adding the effects of the different land uses, the total contribution to total economic base from new commercial real estate development is estimated in Table 5 for each scenario.

MULTIPLIER IMPACTS ON EARNINGS AND TOTAL ECONOMIC ACTIVITY

Dollars which flow into Santa Barbara from outside of the area add to the Santa Barbara economic base. These dollars then in turn induce a multiplier impact on the local economy as the original dollar is respent by a local employee for local serving goods and services, to again be respent by an employee in that business, and so on, until the dollar finally flows back out of the area for goods and services produced elsewhere in the world.

New non-basic firms which occupy some of the new commercial real estate development and which serve local needs will expand the economy by the amount of their activity but will not induce additional multiplier impacts. In fact, they are part of the impact induced by basic industries within the Santa Barbara economy. The one exception is the case of a new non-basic firm which adds a service to the local economy which did not exist in Santa Barbara before. In this case, the vertical integration of the local economy has increased, and the size of the economic multiplier increases proportionately. In other words, these new non-basic business allow for greater capture of local resident spending, which was previously leaking out of the area for services which did not exist in Santa Barbara.

The size of economic multipliers are estimated to range from 2.1 to 2.4 for the types of industries found in the different land uses analyzed in Table 5. Estimates of multipliers are derived from the Regional Industrial Multiplier System (RIMS II) developed by the Bureau of Economic Analysis

(BEA) in the U.S. Department of Commerce. Multiplier estimates for Santa Barbara County have never been developed directly, but rather are inferred from estimates of other Southern California counties as developed by the BEA.

Applying multipliers across all land uses, and summing, produces an estimate of total economic impact for each growth scenario. This is a measure of economic activity within the South Coast region of Santa Barbara which would not have occurred without the projected commercial real estate development in each scenario.

Not all economic activity is returned to labor in the form of earnings, however. Some of the economic activity constitutes return to land, capital, and other inputs to production. An earnings multiplier, applied to the original level of basic activity, produces an estimate of the amount of total economic impact which is converted into earnings of workers in the local economy. Earnings, as defined by the BEA for the RIMS II system, include employee compensation (including vacation time and insurance), and proprietor's income, but do not include employee contributions to private pension plans and welfare funds, because these monies are not available for immediate consumption. Applying earnings multipliers which are also derived from the RIMS II system, an estimate of total earnings generated in the local economy from the additional commercial development for each scenario is estimated in Table 5.

At the bottom of Table 5, earnings estimates are also compared to population and visitor volumes, by computing two ratios (which were graphically analyzed in Part B. The first indicator is total earnings for the scenario divided by the Santa Barbara population projected for the year 2000. The second earnings indicator is total earnings divided only by the incremental population and incremental visitors generated by the commercial development for each scenario between 1985 and the year 2000.

IMPACTS ON PHYSICAL RESOURCES

Impacts of the commercial real estate development on the physical resources in Santa Barbara are more thoroughly analyzed in the second appendix to this volume, which is the working paper prepared by EIP Associates (EIP). In Table 6, ERA applied gross water consumption factors to the real estate development anticipated for each scenario, in order to confirm that all four scenarios have been roughly balanced to require the same water consumption to serve the incremental new development postulated for each scenario. Looking at the total water demand in the year 2000, EIP found that the level of demand for each of the four scenarios varied by less than one half of one percent from each other.

In their analysis of growth impacts on transportation (i.e., traffic congestion), EIP also found relatively little difference in impacts between the four scenarios. The geographic distribution of traffic was analyzed for three major areas of the city: the downtown, outer state street, and the waterfront. Using the "even distribution of growth" scenario (Number 3) as a base, the variation in trips generated is at most 3 to 6 percent in the areas of the city under analysis. The relative growth in traffic volumes for the three major areas of the city was graphically presented in the Part B report above.

ANALYSIS OF FISCAL IMPACTS

Additional commercial real estate development within the city will generate added revenues for the City of Santa Barbara through the property tax, the sales tax, and other taxes. On the other hand, additional service costs will also be generated on an ongoing basis to provide municipal services to the increased number of visitors, additional employees, shoppers, and others. In Table 7, for each scenario, the fiscal impacts of the incremental growth are analyzed by comparing the annual revenues generated in the year 2000 against the service costs in the year 2000 (measured in 1985 dollars) for the development which would occur under each scenario between 1985 and 2000. The major line items for costs and revenues

which accrue to the general fund are analyzed. Municipal enterprise funds are assumed to be essentially self-supporting in the long run. (This is a conservative assumption, because most enterprise funds currently produce a slight surplus for the city).

Property taxes are a major revenue source and are calculated directly from the proposed amount of development for each scenario at the rate of 1.05 percent of the new market value each year. (The 0.05 percent is an allowance for any outstanding bonded indebtedness.) The city currently collects approximately 30 percent of the property taxes levied in incorporated areas outside of redevelopment areas. Within redevelopment areas, the city is assumed to obtain the entire 1.05 percent tax levy as increment to the redevelopment agency. The market value (or assessed value) for each type of commercial development is estimated using the following factors:

<u>Use</u>	<u>Value Ratio</u>
Retail/Services	\$70/square foot
Restaurants	\$120/square foot
Office	\$100/square foot
Hotel/Motel	\$75,000/room
Conference Space	\$80/square foot
R&D/Industrial	\$80/square foot
Housing Units	\$150,000/unit

The housing value estimate reflects the fact that ninety four percent of the 3,459 housing units assumed to be built over the next 15 years would be multi-family units, some portion of which would be used for apartments.

The amount of sales tax is projected as a direct function of the gross sales volume generated by additional retail and restaurant development. The portion of sales taxes returned to the local government within whose jurisdiction the sales occurred is equal to 1 percent of the amount of sales.

Transient occupancy taxes are also projected directly and are estimated on the basis of 10 percent of the total room sales from the additional rooms built between 1985 and 2000.

Other, more minor and more routine sources of revenue, and all service costs are projected on an average, pro rata basis. However, rather than allocating all additional revenues and all costs to city residents on a per capita basis, the analysis has been expanded to attribute some revenue generation and some service costs to those who work in the city and to visitors in the city. The following estimates of the average daily number of people who consume municipal services is as follows:

<u>Type of People Who Consume Municipal Services</u>	<u>Average Daily Population in 1985</u>
Residents of City (when not at work)	<u>77,000</u>
Workers in City	<u>54,500</u>
Visitors:	
- For Hotel/Motel Rooms (2,697 rooms @ 77 percent occupancy and 1.35 persons per room)	2,800
- Staying with Friends/Relatives (equal to 78 percent of Hotel/Motel visitors)	2,200
- Day Visitors Only (equal to 153 percent of Hotel/Motel visitors)	<u>4,300</u>
Daily Visitor Averaged Throughout the Year	<u>9,300</u>

The number of workers within the city limits was estimated in Table 2 by applying employment density factors to the existing inventory of commercial development in Santa Barbara, with an addition of 7,500 estimated public sector jobs, to arrive at a total of 54,500. The average daily number of visitors in hotel/motel rooms was estimated directly from average annual occupancy rates for the existing hotel room inventory in the city. The number of visitors staying overnight with friends and relatives, and the number of visitors who do not stay overnight were estimated in proportion to

the number of hotel/motel room guests, based upon factors derived from Haug International's survey of the Santa Barbara visitor market.

These estimates of the number of consumers of municipal services were used in Appendix Table A (presented after the analysis tables for all the scenarios) to develop service costs and revenue generation standards per resident, per employee, and per visitor. Cost and revenue factors were derived from the Santa Barbara operating budget for the current fiscal year. Service costs were distributed from among the three groups of consumers, according to ratios developed on a judgmental basis by ERA, based upon ERA's experience in estimating fiscal impacts in various cities and counties throughout California.

The pro rata cost and revenue factors from Appendix Table A are used in Table 7 for each scenario to estimate the minor revenues and all service costs from incremental development. Table 7 is also the only analysis table expanded to include new housing proposed between 1985 and 2000. Housing development was not included in other analysis tables, because the amount of housing development is identical across all four scenarios, and has the same relative impact between scenarios. As shown in the analysis, fiscal impacts and new residents are the same for all four scenarios, but are included in the fiscal analysis in Table 7 in order to show all fiscal implications of each growth scenario.

The total amounts of all revenues and all costs generated on an annual basis vary by scenario. However, all four scenarios generate a surplus of revenues over costs. The relative differences in cost revenue impacts was more thoroughly discussed above in Part B.

Scenario 1

Retail Emphasis

Scenario 1: RETAIL EMPHASIS

Table 1
Base Year and Increments

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
WITHIN THE CITY OF SANTA BARBARA							
1985 Base Situation							
Gross Building Area(1000s s.f.)	18,613	7,853	1,140	4,293	1,409	24	3,894
[Number of Hotel/Motel Rooms]	2,697				2,697		
Incremental Development (1000s s.f.)							
Specific Major Projects	900	517	34	(28)	371	16	(10)
Additional Development	1,902	615	231	628	50		378
Total Incremental	2,802	1,132	265	600	421	16	368
[Incremental Rooms]	842				842		
Situation in 2000							
Gross Building Area(1000s s.f.)	21,415	8,985	1,405	4,893	1,830	40	4,262
[Number of Hotel/Motel Rooms]	3,539				3,539		
WITHIN THE REDEVELOPMENT AREA ONLY							
1985 Base Situation							
Gross Building Area(1000s s.f.)	11,303	5,598	950	2,642	613		1,500
[Number of Hotel/Motel Rooms]	1,336				1,336		
Incremental Development (1000s s.f.)							
Specific Major Projects	772	400	15	(20)	371	16	(10)
Additional Development	890	300	115	350	25		100
Total Incremental	1,662	700	130	330	396	16	90
[Incremental Rooms]	792				792		
Situation in 2000							
Gross Building Area(1000s s.f.)	12,965	6,298	1,080	2,972	1,009	16	1,590
[Number of Hotel/Motel Rooms]	2,128				2,128		

Source: Growth scenarios defined by Santa Barbara City staff; base inventories from "Master Water Plan," Sept. 1985.

Scenario 1: RETAIL EMPHASIS

Table 2
Analysis of Employment and Population Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Total County Labor Force (Aug. 1985)	168,400						
County Employment 1985	158,300						
County Unemployment 1985 6.0%	10,100						
Est. South Coast Population 1985	178,106						
Est. S.B. City Population 1985	77,036						
Land Use Inventory 1985 (1000s s.f.)	18,613	7,853	1,140	4,293	1,409	24	3,894
Employment Density (s.f. per F.T.E.)		600	350	250	600	2,000	350
Est. Private Jobs in City 1985	47,004	13,088	3,257	17,172	2,348	12	11,126
Additional Public Sector Jobs	7,500						
Total Jobs in City Limits 1985	54,504						
Incremental Development (1000s s.f.)	2,802	1,132	265	600	421	16	368
Employment Density (s.f. per F.T.E.)		550	350	250	600	2,000	275
Incremental New Jobs (F.T.E.s)	7,263	2,058	757	2,400	702	8	1,338
Local Laborforce Resources Available	4,000						
Now Unemployed but Employable =	1,000						
New Indigenous Workers 1985-2000 =	3,000						
% of Jobs Which COULD be Filled Locally		90%	90%	70%	90%	90%	70%
# Which COULD be Filled Locally	5,789	1,852	681	1,680	632	7	937
# Constrained by Laborforce Avail.	4,000	1,280	471	1,161	436	5	647
In-migration for New Jobs	3,263	778	286	1,239	265	3	691
New Households Formed per Job		0.6	0.6	0.8	0.6	0.6	0.8
New Housing Units Demanded	2,344	467	172	991	159	2	553
Average Household Size		3.0	3.0	2.5	3.5	3.5	2.5
New Population in South Coast Area	6,340	1,401	515	2,478	557	6	1,382

Source: State EDD; APC; and Economics Research Associates

Scenario 1: RETAIL EMPHASIS

Table 3

Additional Demand Pressure on Santa Barbara's Housing Market

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
S.B. City Housing Inventory 1985	34,240						
S.B. City Housing Inventory 2000	37,699						
New Housing Units Planned in City	3,459						
New Housing "Need" in South Coast	2,344	467	172	991	159	2	553
Average Salary Levels		\$11,800	\$13,000	\$20,100	\$10,000	\$10,000	\$23,900
Proportion Able to Afford City		35%	35%	60%	30%	30%	70%
Housing Units Demanded in City	1,254	163	60	595	48	1	387
City Surplus (or Shortfall)	2,205						
Those Requiring Housing Elsewhere Or "Creative Solutions" in the City	1,090	304	112	397	111	1	166

Source: U.S. Bureau of Labor Statistics; Calif. E.D.D; and Economics Research Associates

Scenario 1: RETAIL EMPHASIS

Table 4
Analysis of Visitor Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Proposed Increase in Room Inventory	842				842		
Ave. Occupancy of These in 2000	75.0%				75.0%		
Occupancy Added by Conf. Space Avail	1.6%					1.6%	
Future Room Rate (in 1985 \$)	\$75.00				\$75.00		
Net Increase in Occupied Room-Nights	235,415				235,415		
Average Party Size	1.35				1.35		
Net Hotel-Based Visitor-Nights	317,810				317,810		
New in Hotel Room Revenue (\$1000s)	\$17,656				\$17,656		
Hotel Food @ \$18 /Capita	\$5,873				\$5,873		
Othr Hotl Exp. @ \$7 /Capita	\$2,177				\$2,177		
Total Spending in Hotels/Motels	\$25,706				\$25,706		
Hotel Visitor Spending/Capita							
in Other Local Facilities	\$52	\$25	\$26				
Total Visitor Spending (\$1000s)	\$42,099	\$8,053	\$8,339		\$25,706		

Source: Haug International Visitor Survey; and Economics Research Associates.

Scenario 1: RETAIL EMPHASIS

Table 5
Analysis of Income Generation

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Incremental Development (1000 s.f.) [Incremental Rooms]	2,802 842	1,132	265	600	421 842	16	168
Employment Density (s.f. per F.T.E.)	4,025	550	350	250	600	2,000	275
Incremental New Jobs (F.T.E.s)	7,263	2,058	757	2,400	702	8	1,338
Average Annual Salary/Wage		\$11,800	\$13,000	\$20,100	\$10,000	\$10,000	\$23,900
Sales Productivity (\$/room, \$/s.f.)		\$180	\$200	¶	\$30,530	¶	¶
In \$1,000s:				¶		¶	¶
Gross Sales Revenue (Rooms+Retail)		\$203,760	\$53,000	¶	\$25,706	<-----¶	¶
Gross Retail Margin @ 50%		\$101,880		¶			¶
Payroll as a Percent of Firm Revenue		¶	¶	60%	¶		50%
Gross Sales Generated (\$ 1,000s)		¶	¶	\$80,400	¶		\$63,965
Portion Which is Basic to Economy		65%	50%	60%	90%		80%
Net Basic Income (\$ 1,000s)	\$215,270	\$66,222	\$26,500	\$48,240	\$23,136		\$51,172
Economic Multiplier	2.3	2.4	2.1	2.2	2.3		2.3
Total Economic Impact (\$ 1,000s)	\$491,618	\$158,933	\$55,650	\$106,128	\$53,212		\$117,696
Earnings Multiplier	0.60	0.70	0.50	0.53	0.55		0.60
Earnings in Local Economy (\$ 1,000s)	\$128,600	\$46,355	\$13,250	\$25,567	\$12,725		\$30,703
Incremental Earnings per Capita, (Assuming Year 2000 Population at 2.24 people/housing unit)	\$1,523						
Incremental Earnings Divided by Incremental Population & Visitors	\$17,834						

Source: BEA, U.S. Dept. of Commerce; and Economics Research Associates

Scenario 1: RETAIL EMPHASIS

Table 6
Estimated Impact on Physical Resources

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Incremental Development (1000 s.f.)	2,802	1,132	265	600	421	16	368
Water Consumption (gal/day/1000 s.f.)		119	651	77	387	28	112
Total Water Consumption (gal/day)	558,014	134,708	172,515	46,200	162,927	448	41,216

Source: Consumption standards from "Water Master Plan," E.I.P., Sept. 1985.

Scenario 1: RETAIL EMPHASIS

Table 7
Analysis of Fiscal Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.	Housing/ Residents
PLANNING FACTORS								
Total Incremental Devel.(1000 s.f.)	2,802	1,132	265	600	421	16	368	
Devel. in Red. Area (1000 s.f.)	1,662	700	130	330	396	16	90	
Total New Rooms					842			
New Rooms in Redev. Area					792			
New Residential Units Permitted	3,459							3,459
New Pop.: Household Size of 2.24	7,748							7,748
New Average Daily Visitors Attracted	871				871			
Incremental New Jobs (1985-2000)	7,263	2,058	757	2,400	702	8	1,338	
Assessed Value per s.f.(or per unit)		\$70	\$120	\$100	\$75,000	\$80	\$80	\$150,000
ONGOING REVENUES (in 1985 \$1,000s)								
Major Affected Revenues:								
Property Tax @ 1.05%	\$3,685	\$610	\$215	\$432	\$636	\$13	\$146	\$1,634
Sales Tax Returned @ 1.00%	\$2,568	\$2,038	\$530					
Transient Occupancy Tx @ 10.00%	\$2,571				\$2,571			
Selected Other Revenues:								
Utility Tax	\$518	\$55	\$20	\$64	\$30	\$0	\$36	\$311
Business Tax	\$161	\$36	\$13	\$42	\$20	\$0	\$23	\$27
Service Charges	\$139	\$14	\$5	\$17	\$11	\$0	\$9	\$82
Fines, Forfeits & Penalties	\$123	\$11	\$4	\$13	\$8	\$0	\$7	\$81
Other Taxes	\$241	\$0	\$0	\$0	\$0	\$0	\$0	\$241
Total Annual Revenues	\$10,005	\$2,764	\$788	\$567	\$3,276	\$14	\$221	\$2,376
SERVICE COSTS (in 1985 \$1,000s)								
General Government	\$821	\$87	\$32	\$102	\$48	\$0	\$57	\$494
Protection of Persons and Property	\$1,631	\$142	\$52	\$166	\$109	\$1	\$92	\$1,070
Public Works	\$425	\$44	\$16	\$52	\$34	\$0	\$29	\$250
Community Services	\$570	\$43	\$16	\$51	\$24	\$0	\$28	\$408
Community Development	\$243	\$26	\$10	\$30	\$14	\$0	\$17	\$146
Total Annual Costs	\$3,689	\$343	\$126	\$400	\$229	\$1	\$223	\$2,367
COST/REVENUE SURPLUS (DEFICIT)	\$6,315							

Source: Economics Research Associates

Scenario 2

Hotel Emphasis

Scenario 2: HOTEL EMPHASIS

Table 1
Base Year and Increments

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
WITHIN THE CITY OF SANTA BARBARA							
1985 Base Situation							
Gross Building Area(1000s s.f.)	18,613	7,853	1,140	4,293	1,409	24	3,894
[Number of Hotel/Motel Rooms]	2,697				2,697		
Incremental Development (1000s s.f.)							
Specific Major Projects	704	117	34	(28)	560	31	(10)
Additional Development	1,533	100	180	628	227	20	378
Total Incremental	2,237	217	214	600	787	51	368
[Incremental Rooms]	1,574				1,574		
Situation in 2000							
Gross Building Area(1000s s.f.)	20,850	8,070	1,354	4,893	2,196	75	4,262
[Number of Hotel/Motel Rooms]	4,271				4,271		
WITHIN THE REDEVELOPMENT AREA ONLY							
1985 Base Situation							
Gross Building Area(1000s s.f.)	11,303	5,598	950	2,642	613		1,500
[Number of Hotel/Motel Rooms]	1,336				1,336		
Incremental Development (1000s s.f.)							
Specific Major Projects	626	50	15	(20)	560	31	(10)
Additional Development	725	50	90	350	125	10	100
Total Incremental	1,351	100	105	330	685	41	90
[Incremental Rooms]	1,370				1,370		
Situation in 2000							
Gross Building Area(1000s s.f.)	12,654	5,698	1,055	2,972	1,298	41	1,590
[Number of Hotel/Motel Rooms]	2,706				2,706		

Source: Growth scenarios defined by Santa Barbara City staff; base inventories from "Master Water Plan," Sept. 1985.

Scenario 2: HOTEL EMPHASIS

Table 2
Analysis of Employment and Population Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Total County Labor Force (Aug. 1985)	168,400						
County Employment 1985	158,300						
County Unemployment 1985 6.0%	10,100						
Est. South Coast Population 1985	178,106						
Est. S.B. City Population 1985	77,036						
Land Use Inventory 1985 (1000s s.f.)	18,613	7,853	1,140	4,293	1,409	24	3,894
Employment Density (s.f. per F.T.E.)		600	350	250	600	2,000	350
Est. Private Jobs in City 1985	47,004	13,088	3,257	17,172	2,348	12	11,126
Additional Public Sector Jobs	7,500						
Total Jobs in City Limits 1985	54,504						
Incremental Development (1000s s.f.)	2,237	217	214	600	787	51	368
Employment Density (s.f. per F.T.E.)		550	350	250	600	2,000	275
Incremental New Jobs (F.T.E.s)	6,081	395	611	2,400	1,312	26	1,338
Local Laborforce Resources Available	4,000						
Now Unemployed but Employable =	1,000						
New Indigenous Workers 1985-2000 =	3,000						
% Which COULD be Filled Locally		90%	90%	70%	90%	90%	70%
# Which COULD be Filled Locally	4,726	355	550	1,680	1,181	23	937
# Constrained by Laborforce Avail.	4,000	301	466	1,422	999	19	793
In-migration for New Jobs	2,081	94	146	978	312	6	545
New Households Formed per Job		0.6	0.6	0.8	0.6	0.6	0.8
New Housing Units Demanded	1,553	56	87	782	187	4	436
Average Household Size		3.0	3.0	2.5	3.5	3.5	2.5
New Population in South Coast Area	4,147	169	262	1,956	656	13	1,091

Source: State EDD; APC; and Economics Research Associates

Scenario 2: HOTEL EMPHASIS

Table 3

Additional Demand Pressure on Santa Barbara's Housing Market

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
S.B. City Housing Inventory 1985	34,240						
S.B. City Housing Inventory 2000	37,699						
New Housing Units Planned in City	3,459						
New Housing "Need" in South Coast	1,553	56	87	782	187	4	436
Average Salary Levels		\$11,800	\$13,000	\$20,100	\$10,000	\$10,000	\$23,900
Proportion Able to Afford City		35%	35%	60%	30%	30%	70%
Housing Units Demanded in City	882	20	31	469	56	1	305
City Surplus (or Shortfall)	2,577						
Those Requiring Housing Elsewhere Or "Creative Solutions" in the City	671	37	57	313	131	3	131

Source: U.S. Bureau of Labor Statistics; Calif. E.D.D.; and Economics Research Associates

Scenario 2: HOTEL EMPHASIS

Table 4
Analysis of Visitor Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Proposed Increase in Room Inventory	1,574				1,574		
Ave. Occupancy of These in 2000	75.0%				75.0%		
Occupancy Added by Conf. Space Avail	5.1%					5.1%	
Future Room Rate (in 1985 \$)	\$75.00				\$75.00		
Net Increase in Occupied Room-Nights	460,183				460,183		
Average Party Size	1.35				1.35		
Net Hotel-Based Visitor-Nights	621,246				621,246		
New in Hotel Room Revenue (\$1000s)	\$34,514				\$34,514		
Hotel Food @ \$18 /Capita	\$11,481				\$11,481		
Othr Hotl Exp. @ \$7 /Capita	\$4,256				\$4,256		
Total Spending in Hotels/Motels	\$50,250				\$50,250		
Hotel Visitor Spending/Capita in Other Local Facilities	\$52	\$25	\$26				
Total Visitor Spending (\$1000s)	\$82,294	\$15,742	\$16,302		\$50,250		

Source: Haug International Visitor Survey; and Economics Research Associates.

Scenario 2: HOTEL EMPHASIS

Table 5
Analysis of Income Generation

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Incremental Development (1000 s.f.) [Incremental Rooms]	2,237 1,574	217	214	600	787 1,574	51	368
Employment Density (s.f. per F.T.E.)	4,025	550	350	250	600	2,000	275
Incremental New Jobs (F.T.E.s)	6,081	395	611	2,400	1,312	26	1,338
Average Annual Salary/Wage		\$11,800	\$13,000	\$20,100	\$10,000	\$10,000	\$23,900
Sales Productivity (\$/room, \$/s.f.)		\$180	\$200	¶	\$31,925	¶	¶
In \$1,000s:				¶		¶	¶
Gross Sales Revenue (Rooms+Retail)		\$39,060	\$42,800	¶	\$50,250	<-----¶	¶
Gross Retail Margin @ 50%		\$19,530		¶			¶
Payroll as a Percent of Firm Revenue		¶	¶	60%	¶		50%
Gross Sales Generated (\$ 1,000s)		¶	¶	\$80,400	¶		\$63,965
Portion Which is Basic to Economy		65%	50%	60%	90%		80%
Net Basic Income (\$ 1,000s)	\$178,731	\$12,695	\$21,400	\$48,240	\$45,225		\$51,172
Economic Multiplier	2.3	2.4	2.1	2.2	2.3		2.3
Total Economic Impact (\$ 1,000s)	\$403,248	\$30,467	\$44,940	\$106,128	\$104,017		\$117,696
Earnings Multiplier	0.56	0.70	0.50	0.53	0.55		0.60
Earnings in Local Economy (\$ 1,000s)	\$100,730	\$8,886	\$10,700	\$25,567	\$24,874		\$30,703
Incremental Earnings per Capita, (Assuming Year 2000 Population at 2.24 people/housing unit)	\$1,193						
Incremental Earnings Divided by Incremental Population & Visitors	\$17,223						

Source: BEA, U.S. Dept. of Commerce; and Economics Research Associates

Scenario 2: HOTEL EMPHASIS

Table 6
Estimated Impact on Physical Resources

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Incremental Development (1000 s.f.)	2,237	217	214	600	787	51	368
Water Consumption (gal/day/1000 s.f.)		119	651	77	387	28	112
Total Water Consumption (gal/day)	558,550	25,823	139,314	46,200	304,569	1,428	41,216

Source: Consumption standards from "Water Master Plan," E.I.P., Sept. 1985.

Scenario 2: HOTEL EMPHASIS

Table 7
Analysis of Fiscal Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.	Housing/ Residents
PLANNING FACTORS								
Total Incremental Devel.(1000 s.f.)	2,237	217	214	600	787	51	368	
Devel. in Red. Area (1000 s.f.)	1,351	100	105	330	685	41	90	
Total New Rooms					1,574			
New Rooms in Redev. Area					1,370			
New Residential Units Permitted	3,459							3,459
New Pop.: Household Size of 2.24	7,748							7,748
New Average Daily Visitors Attracted	1,702				1,702			
Incremental New Jobs (1985-2000)	6,081	395	611	2,400	1,312	26	1,338	
Assessed Value per s.f.(or per unit)		\$70	\$120	\$100	\$75,000	\$80	\$80	\$150,000
ONGOING REVENUES (in 1985 \$1,000s)								
Major Affected Revenues:								
Property Tax @ 1.05%	\$3,648	\$99	\$174	\$432	\$1,127	\$37	\$146	\$1,634
Sales Tax Returned @ 1.00%	\$819	\$391	\$428					
Transient Occupancy Tx @ 10.00%	\$5,025				\$5,025			
Selected Other Revenues:								
Utility Tax	\$497	\$11	\$16	\$64	\$58	\$1	\$36	\$311
Business Tax	\$148	\$7	\$11	\$42	\$38	\$0	\$23	\$27
Service Charges	\$136	\$3	\$4	\$17	\$21	\$0	\$9	\$82
Fines, Forfeits & Penalties	\$121	\$2	\$3	\$13	\$16	\$0	\$7	\$81
Other Taxes	\$241	\$0	\$0	\$0	\$0	\$0	\$0	\$241
Total Annual Revenues	\$10,635	\$512	\$636	\$567	\$6,285	\$38	\$221	\$2,376
SERVICE COSTS (in 1985 \$1,000s)								
General Government	\$788	\$17	\$26	\$102	\$92	\$1	\$57	\$494
Protection of Persons and Property	\$1,607	\$27	\$42	\$166	\$208	\$2	\$92	\$1,070
Public Works	\$417	\$8	\$13	\$52	\$65	\$1	\$29	\$250
Community Services	\$554	\$8	\$13	\$51	\$46	\$1	\$28	\$408
Community Development	\$233	\$5	\$8	\$30	\$27	\$0	\$17	\$146
Total Annual Costs	\$3,599	\$66	\$102	\$400	\$437	\$4	\$223	\$2,367
COST/REVENUE SURPLUS (DEFICIT)	\$7,036							

Scenario 3

Even Distribution of Growth

Scenario 3: EVEN DISTRIBUTION OF GROWTH

Table 1
Base Year and Increments

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
WITHIN THE CITY OF SANTA BARBARA							
1985 Base Situation							
Gross Building Area(1000s s.f.)	18,613	7,853	1,140	4,293	1,409	24	3,894
[Number of Hotel/Motel Rooms]	2,697				2,697		
Incremental Development (1000s s.f.)							
Specific Major Projects	1,088	517	34	(28)	560	15	(10)
Additional Development	1,660	434	129	628	91	0	378
Total Incremental	2,748	951	163	600	651	15	368
[Incremental Rooms]	1,302				1,302		
Situation in 2000							
Gross Building Area(1000s s.f.)	21,361	8,804	1,303	4,893	2,060	39	4,262
[Number of Hotel/Motel Rooms]	3,999				3,999		
WITHIN THE REDEVELOPMENT AREA ONLY							
1985 Base Situation							
Gross Building Area(1000s s.f.)	11,303	5,598	950	2,642	613		1,500
[Number of Hotel/Motel Rooms]	1,336				1,336		
Incremental Development (1000s s.f.)							
Specific Major Projects	960	400	15	(20)	560	15	(10)
Additional Development	800	250	60	350	40	0	100
Total Incremental	1,760	650	75	330	600	15	90
[Incremental Rooms]	1,200				1,200		
Situation in 2000							
Gross Building Area(1000s s.f.)	13,063	6,248	1,025	2,972	1,213	15	1,590
[Number of Hotel/Motel Rooms]	2,536				2,536		

Source: Growth scenarios defined by Santa Barbara City staff; base inventories from "Master Water Plan," Sept. 1985.

Scenario 3: EVEN DISTRIBUTION OF GROWTH

Table 2
Analysis of Employment and Population Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Total County Labor Force (Aug. 1985)	168,400						
County Employment 1985	158,300						
County Unemployment 1985 6.0%	10,100						
Est. South Coast Population 1985	178,106						
Est. S.B. City Population 1985	77,036						
Land Use Inventory 1985 (1000s s.f.)	18,613	7,853	1,140	4,293	1,409	24	3,894
Employment Density (s.f. per F.T.E.)		600	350	250	600	2,000	350
Est. Private Jobs in City 1985	47,004	13,088	3,257	17,172	2,348	12	11,126
Additional Public Sector Jobs	7,500						
Total Jobs in City Limits 1985	54,504						
Incremental Development (1000s s.f.)	2,748	951	163	600	651	15	368
Employment Density (s.f. per F.T.E.)		550	350	250	600	2,000	275
Incremental New Jobs (F.T.E.s)	7,025	1,729	466	2,400	1,085	8	1,338
Local Laborforce Resources Available	4,000						
Now Unemployed but Employable =	1,000						
New Indigenous Workers 1985-2000 =	3,000						
% of Jobs Which COULD be Filled Locally		90%	90%	70%	90%	90%	70%
# Which COULD be Filled Locally	5,575	1,556	419	1,680	977	7	937
# Constrained by Laborforce Avail.	4,000	1,116	301	1,205	701	5	672
In-migration for New Jobs	3,025	613	165	1,195	384	3	666
New Households Formed per Job		0.6	0.6	0.8	0.6	0.6	0.8
New Housing Units Demanded	2,187	368	99	956	231	2	533
Average Household Size		3.0	3.0	2.5	3.5	3.5	2.5
New Population in South Coast Area	5,934	1,103	297	2,389	807	6	1,332

Source: State EDD; APC; and Economics Research Associates

Scenario 3: EVEN DISTRIBUTION OF GROWTH

Table 3
Additional Demand Pressure on Santa Barbara's Housing Market

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
S.B. City Housing Inventory 1985	34,240						
S.B. City Housing Inventory 2000	37,699						
New Housing Units Planned in City	3,459						
New Housing "Need" in South Coast	2,187	368	99	956	231	2	533
Average Salary Levels		\$11,800	\$13,000	\$20,100	\$10,000	\$10,000	\$23,900
Proportion Able to Afford City		35%	35%	60%	30%	30%	70%
Housing Units Demanded in City	1,179	129	35	573	69	0	373
City Surplus (or Shortfall)	2,280						
Those Requiring Housing Elsewhere Or "Creative Solutions" in the City	1,008	239	64	382	161	1	160

Source: U.S. Bureau of Labor Statistics; Calif. E.D.D.; and Economics Research Associates

Scenario 3: EVEN DISTRIBUTION OF GROWTH

Table 4
Analysis of Visitor Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Proposed Increase in Room Inventory	1,302				1,302		
Ave. Occupancy of These in 2000	75.0%				75.0%		
Occupancy Added by Conf. Space Avail	1.5%					1.5%	
Future Room Rate (in 1985 \$)	\$75.00				\$75.00		
Net Increase in Occupied Room-Nights	363,551				363,551		
Average Party Size	1.35				1.35		
Net Hotel-Based Visitor-Nights	490,794				490,794		
New in Hotel Room Revenue (\$1000s)	\$27,266				\$27,266		
Hotel Food @ \$18 /Capita	\$9,070				\$9,070		
Othr Hotl Exp. @ \$7 /Capita	\$3,362				\$3,362		
Total Spending in Hotels/Motels	\$39,698				\$39,698		
Hotel Visitor Spending/Capita in Other Local Facilities	\$52	\$25	\$26				
Total Visitor Spending (\$1000s)	\$65,013	\$12,437	\$12,878		\$39,698		

Source: Haug International Visitor Survey; and Economics Research Associates.

Scenario 3: EVEN DISTRIBUTION OF GROWTH

Table 5
Analysis of Income Generation

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Incremental Development (1000 s.f.)	2,748	951	163	600	651	15	368
[Incremental Rooms]	1,302				1,302		
Employment Density (s.f. per F.T.E.)	4,025	550	350	250	600	2,000	275
Incremental New Jobs (F.T.E.s)	7,025	1,729	466	2,400	1,085	8	1,338
Average Annual Salary/Wage		\$11,800	\$13,000	\$20,100	\$10,000	\$10,000	\$23,900
Sales Productivity (\$/room, \$/s.f.)		\$180	\$200	¶	\$30,490	¶	¶
In \$1,000s:				¶		¶	¶
Gross Sales Revenue (Rooms+Retail)		\$171,180	\$32,600	¶	\$39,698	<-----¶	¶
Gross Retail Margin @ 50%		\$85,590		¶			¶
Payroll as a Percent of Firm Revenue		¶	¶	60%	¶		50%
Gross Sales Generated (\$ 1,000s)		¶	¶	\$80,400	¶		\$63,965
Portion Which is Basic to Economy		65%	50%	60%	90%		80%
Net Basic Income (\$ 1,000s)	\$207,074	\$55,634	\$16,300	\$48,240	\$35,728		\$51,172
Economic Multiplier	2.3	2.4	2.1	2.2	2.3		2.3
Total Economic Impact (\$ 1,000s)	\$473,749	\$133,520	\$34,230	\$106,128	\$82,175		\$117,696
Earnings Multiplier	0.59	0.70	0.50	0.53	0.55		0.60
Earnings in Local Economy (\$ 1,000s)	\$123,014	\$38,943	\$8,150	\$25,567	\$19,651		\$30,703
Incremental Earnings per Capita, (Assuming Year 2000 Population at 2.24 people/housing unit)	\$1,457						
Incremental Earnings Divided by Incremental Population & Visitors	\$16,900						

Source: BEA, U.S. Dept. of Commerce; and Economics Research Associates

Scenario 3: EVEN DISTRIBUTION OF GROWTH

Table 6
Estimated Impact on Physical Resources

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Incremental Development (1000 s.f.)	2,748	951	163	600	651	15	368
Water Consumption (gal/day/1000 s.f.)		119	651	77	387	28	112
Total Water Consumption (gal/day)	559,055	113,169	106,113	46,200	251,937	420	41,216

Source: Consumption standards from "Water Master Plan," E.I.P., Sept. 1985.

Scenario 3: EVEN DISTRIBUTION OF GROWTH

Table 7
Analysis of Fiscal Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.	Housing/ Residents
PLANNING FACTORS								
Total Incremental Devel.(1000 s.f.)	2,748	951	163	600	651	15	368	
Devel. in Red. Area (1000 s.f.)	1,760	650	75	330	600	15	90	
Total New Rooms					1,302			
New Rooms in Redev. Area					1,200			
New Residential Units Permitted	3,459							3,459
New Pop.: Household Size of 2.24	7,748							7,748
New Average Daily Visitors Attracted	1,345				1,345			
Incremental New Jobs (1985-2000)	7,025	1,729	466	2,400	1,085	8	1,338	
Assessed Value per s.f.(or per unit)		\$70	\$120	\$100	\$75,000	\$80	\$80	\$150,000
ONGOING REVENUES (In 1985 \$1,000s)								
Major Affected Revenues:								
Property Tax @ 1.05%	\$3,865	\$544	\$128	\$432	\$969	\$13	\$146	\$1,634
Sales Tax Returned @ 1.00%	\$2,038	\$1,712	\$326					
Transient Occupancy Tx @ 10.00%	\$3,970				\$3,970			
Selected Other Revenues:								
Utility Tax	\$518	\$46	\$12	\$64	\$47	\$0	\$36	\$311
Business Tax	\$161	\$30	\$8	\$42	\$31	\$0	\$23	\$27
Service Charges	\$141	\$12	\$3	\$17	\$17	\$0	\$9	\$82
Fines, Forfeits & Penalties	\$124	\$9	\$2	\$13	\$13	\$0	\$7	\$81
Other Taxes	\$241	\$0	\$0	\$0	\$0	\$0	\$0	\$241
Total Annual Revenues	\$11,057	\$2,354	\$480	\$567	\$5,046	\$13	\$221	\$2,376
SERVICE COSTS (In 1985 \$1,000s)								
General Government	\$821	\$73	\$20	\$102	\$75	\$0	\$57	\$494
Protection of Persons and Property	\$1,648	\$119	\$32	\$166	\$168	\$1	\$92	\$1,070
Public Works	\$430	\$37	\$10	\$52	\$52	\$0	\$29	\$250
Community Services	\$570	\$36	\$10	\$51	\$37	\$0	\$28	\$408
Community Development	\$243	\$22	\$6	\$30	\$22	\$0	\$17	\$146
Total Annual Costs	\$3,711	\$288	\$78	\$400	\$354	\$1	\$223	\$2,367
COST/REVENUE SURPLUS (DEFICIT)	\$7,346							

Scenario 4

Office/R&D Emphasis

Scenario 4: OFFICE/R&D EMPHASIS

Table 1

Base Year and Increments

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
WITHIN THE CITY OF SANTA BARBARA							
1985 Base Situation							
Gross Building Area(1000s s.f.)	18,613	7,853	1,140	4,293	1,409	24	3,894
[Number of Hotel/Motel Rooms]	2,697				2,697		
Incremental Development (1000s s.f.)							
Specific Major Projects	522	117	34	0	371	0	0
Additional Development	3,112	100	129	1,717	50	0	1,116
Total Incremental	3,634	217	163	1,717	421	0	1,116
[Incremental Rooms]	842				842		
Situation in 2000							
Gross Building Area(1000s s.f.)	22,247	8,070	1,303	6,010	1,830	24	5,010
[Number of Hotel/Motel Rooms]	3,539				3,539		
WITHIN THE REDEVELOPMENT AREA ONLY							
1985 Base Situation							
Gross Building Area(1000s s.f.)	11,303	5,598	950	2,642	613		1,500
[Number of Hotel/Motel Rooms]	1,336				1,336		
Incremental Development (1000s s.f.)							
Specific Major Projects	436	50	15	0	371	0	0
Additional Development	1,835	50	60	1,200	25	0	500
Total Incremental	2,271	100	75	1,200	396	0	500
[Incremental Rooms]	792				792		
Situation in 2000							
Gross Building Area(1000s s.f.)	13,574	5,698	1,025	3,842	1,009	0	2,000
[Number of Hotel/Motel Rooms]	2,128				2,128		

Source: Growth scenarios defined by Santa Barbara City staff; base inventories from "Master Water Plan," Sept. 1985.

Scenario 4: OFFICE/R&D EMPHASIS

Table 2
Analysis of Employment and Population Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Total County Labor Force (Aug. 1985)	168,400						
County Employment 1985	158,300						
County Unemployment 1985 6.0%	10,100						
Est. South Coast Population 1985	178,106						
Est. S.B. City Population 1985	77,036						
Land Use Inventory 1985 (1000s s.f.)	18,613	7,853	1,140	4,293	1,409	24	3,894
Employment Density (s.f. per F.T.E.)		600	350	250	600	2,000	350
Est. Private Jobs in City 1985	47,004	13,088	3,257	17,172	2,348	12	11,126
Additional Public Sector Jobs	7,500						
Total Jobs in City Limits 1985	54,504						
Incremental Development (1000s s.f.)	3,634	217	163	1,717	421	0	1,116
Employment Density (s.f. per F.T.E.)		550	350	250	600	2,000	275
Incremental New Jobs (F.T.E.s)	12,488	395	466	6,868	702	0	4,058
Local Laborforce Resources Available	4,000						
Now Unemployed but Employable =	1,000						
New Indigenous Workers 1985-2000 =	3,000						
% of Jobs Which Could be Filled Locally		90%	90%	70%	90%	90%	70%
# Which Could be Filled Locally	9,054	355	419	4,808	632	0	2,841
# Constrained by Laborforce Avail.	4,000	157	185	2,124	279	0	1,255
In-migration for New Jobs	8,488	238	281	4,744	423	0	2,803
New Households Formed per Job		0.6	0.6	0.8	0.6	0.6	0.8
New Housing Units Demanded	6,602	143	168	3,795	254	0	2,243
Average Household Size		3.0	3.0	2.5	3.5	3.5	2.5
New Population in South Coast Area	16,915	428	505	9,488	888	0	5,606

Source: State EDD; APC; and Economics Research Associates

Scenario 4: OFFICE/R&D EMPHASIS

Table 3
Additional Demand Pressure on Santa Barbara's Housing Market

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
S.B. City Housing Inventory 1985	34,240						
S.B. City Housing Inventory 2000	37,699						
New Housing Units Planned in City	3,459						
New Housing "Need" in South Coast	6,602	143	168	3,795	254	0	2,243
Average Salary Levels		\$11,800	\$13,000	\$20,100	\$10,000	\$10,000	\$23,900
Proportion Able to Afford City		35%	35%	60%	30%	30%	70%
Housing Units Demanded in City	4,032	50	59	2,277	76	0	1,570
City Surplus (or Shortfall)	(573)	(7)	(8)	(324)	(11)	0	(223)
Those Requiring Housing Elsewhere Or "Creative Solutions" in the City	3,143	100	118	1,842	188	0	896

Source: U.S. Bureau of Labor Statistics; Calif. E.D.D.; and Economics Research Associates

Scenario 4: OFFICE/R&D EMPHASIS

Table 4
Analysis of Visitor Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Proposed Increase in Room Inventory	842				842		
Ave. Occupancy of These in 2000	75.0%				75.0%		
Occupancy Added by Conf. Space Avail	0.0%					0.0%	
Future Room Rate (in 1985 \$)	\$75.00				\$75.00		
Net Increase in Occupied Room-Nights	230,498				230,498		
Average Party Size	1.35				1.35		
Net Hotel-Based Visitor-Nights	311,172				311,172		
New in Hotel Room Revenue (\$1000s)	\$17,287				\$17,287		
Hotel Food @ \$18 /Capita	\$5,750				\$5,750		
Othr Hotl Exp. @ \$7 /Capita	\$2,132				\$2,132		
Total Spending in Hotels/Motels	\$25,169				\$25,169		
Hotel Visitor Spending/Capita							
in Other Local Facilities	\$52	\$25	\$26				
Total Visitor Spending (\$1000s)	\$41,220	\$7,885	\$8,165		\$25,169		

Source: Haug International Visitor Survey; and Economics Research Associates.

Scenario 4: OFFICE/R&D EMPHASIS

Table 5
Analysis of Income Generation

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Incremental Development (1000 s.f.) [Incremental Rooms]	3,634 842	217	163	1,717	421 842	0	1,116
Employment Density (s.f. per F.T.E.)	4,025	550	350	250	600	2,000	275
Incremental New Jobs (F.T.E.s)	12,488	395	466	6,868	702	0	4,058
Average Annual Salary/Wage		\$11,800	\$13,000	\$20,100	\$10,000	\$10,000	\$23,900
Sales Productivity (\$/room, \$/s.f.)		\$180	\$200	¶	\$29,892	¶	¶
In \$1,000s:				¶		¶	¶
Gross Sales Revenue (Rooms+Retail)		\$39,060	\$32,600	¶	\$25,169	<-----¶	¶
Gross Retail Margin @ 50%		\$19,530		¶			¶
Payroll as a Percent of Firm Revenue		¶	¶	60%	¶		50%
Gross Sales Generated (\$ 1,000s)		¶	¶	\$230,078	¶		\$193,981
Portion Which is Basic to Economy		65%	50%	60%	90%		80%
Net Basic Income (\$ 1,000s)	\$344,879	\$12,695	\$16,300	\$138,047	\$22,652		\$155,185
Economic Multiplier	2.3	2.4	2.1	2.2	2.3		2.3
Total Economic Impact (\$ 1,000s)	\$777,425	\$30,467	\$34,230	\$303,703	\$52,100		\$356,925
Earnings Multiplier	0.57	0.70	0.50	0.53	0.55		0.60
Earnings in Local Economy (\$ 1,000s)	\$195,771	\$8,886	\$8,150	\$73,165	\$12,459		\$93,111
Incremental Earnings per Capita, (Assuming Year 2000 Population at 2.24 people/housing unit)	\$2,318						
Incremental Earnings Divided by Incremental Population & Visitors	\$11,019						

Source: BEA, U.S. Dept. of Commerce; and Economics Research Associates

Scenario 4: OFFICE/R&D EMPHASIS

Table 6
Estimated Impact on Physical Resources

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.
Incremental Development (1000 s.f.)	3,634	217	163	1,717	421	0	1,116
Water Consumption (gal/day/1000 s.f.)		119	651	77	387	28	112
Total Water Consumption (gal/day)	552,064	25,823	106,113	132,209	162,927	0	124,992

Source: Consumption standards from "Water Master Plan," E.I.P., Sept. 1985.

Scenario 4: OFFICE/R&D EMPHASIS

Table 7
Analysis of Fiscal Impacts

	Totals	Retail/ Services	Restau- rants	Office	Hotel/ Motel	Conf. Space	R&D/ Indust.	Housing/ Residents
PLANNING FACTORS								
Total Incremental Devel.(1000 s.f.)	3,634	217	163	1,717	421	0	1,116	
Devel. in Red. Area (1000 s.f.)	2,271	100	75	1,200	396	0	500	
Total New Rooms					842			
New Rooms in Redev. Area					792			
New Residential Units Permitted	3,459							3,459
New Pop.: Household Size of 2.24	7,748							7,748
New Average Daily Visitors Attracted	853				853			
Incremental New Jobs (1985-2000)	12,488	395	466	6,868	702	0	4,058	
Assessed Value per s.f.(or per unit)		\$70	\$120	\$100	\$75,000	\$80	\$80	\$150,000
ONGOING REVENUES (in 1985 \$1,000s)								
Major Affected Revenues:								
Property Tax @ 1.05%	\$4,495	\$99	\$128	\$1,423	\$636	\$0	\$575	\$1,634
Sales Tax Returned @ 1.00%	\$717	\$391	\$326					
Transient Occupancy Tx @ 10.00%	\$2,517				\$2,517			
Selected Other Revenues:								
Utility Tax	\$658	\$11	\$12	\$184	\$30	\$0	\$109	\$311
Business Tax	\$252	\$7	\$8	\$120	\$20	\$0	\$71	\$27
Service Charges	\$175	\$3	\$3	\$48	\$11	\$0	\$29	\$82
Fines, Forfeits & Penalties	\$150	\$2	\$2	\$36	\$8	\$0	\$21	\$81
Other Taxes	\$241	\$0	\$0	\$0	\$0	\$0	\$0	\$241
Total Annual Revenues	\$9,205	\$512	\$480	\$1,811	\$3,221	\$0	\$804	\$2,376
SERVICE COSTS (in 1985 \$1,000s)								
General Government	\$1,042	\$17	\$20	\$292	\$48	\$0	\$172	\$494
Protection of Persons and Property	\$1,991	\$27	\$32	\$474	\$107	\$0	\$280	\$1,070
Public Works	\$536	\$8	\$10	\$148	\$33	\$0	\$87	\$250
Community Services	\$679	\$8	\$10	\$145	\$24	\$0	\$85	\$408
Community Development	\$309	\$5	\$6	\$86	\$14	\$0	\$51	\$146
Total Annual Costs	\$4,558	\$66	\$78	\$1,144	\$227	\$0	\$676	\$2,367
COST/REVENUE SURPLUS (DEFICIT)	\$4,647							
=====								

Appendix Table A

ANALYSIS OF PRO RATA FISCAL COSTS AND REVENUES

ESTIMATED NUMBER OF CONSUMERS
OF MUNICIPAL SERVICES:

1985 Residential Population	77,000
1985 Jobs Within City Limit	54,500
Average Daily Visitors 1985	9,300

GENERAL FUND EXPENDITURES By Major Budget Category	Budget FY 1985-86	Cost Ratio		Cost Ratio		-----Service Cost-----		
	Service Cost	Per Resident/ Per Employee		Per Visitor/ Per Employee		Per Resident	Per Employee	Per Visitor
General Government	\$7,419,000	1.5 /	1.0	0.5 /	1.0	\$63.72	\$42.48	\$21.24
Protect. of Pers. & Prop.	\$15,037,000	2.0 /	1.0	1.0 /	1.0	\$138.08	\$69.04	\$69.04
Public Works	\$3,853,000	1.5 /	1.0	1.0 /	1.0	\$32.23	\$21.49	\$21.49
Community Services	\$5,296,000	2.5 /	1.0	0.5 /	1.0	\$52.61	\$21.05	\$10.52
Community Development	\$2,197,000	1.5 /	1.0	0.5 /	1.0	\$18.87	\$12.58	\$6.29
Total Expenditures	\$33,802,000	1.8 /	1.0	0.8 /	1.0	\$305.52	\$166.63	\$128.58
GENERAL FUND REVENUES Sources Not Est. Directly	Estimated Revenue FY 1985-86	Revenue Ratio		Revenue Ratio		----Revenue Generation----		
		Per Resident/ Per Employee		Per Visitor/ Per Employee		Per Resident	Per Employee	Per Visitor
Utility Users Tax	\$4,680,000	1.5 /	1.0	0.5 /	1.0	\$40.19	\$26.80	\$13.40
Business Tax	\$1,300,000	0.2 /	1.0	0.5 /	1.0	\$3.49	\$17.44	\$8.72
Service Charges	\$1,260,000	1.5 /	1.0	1.0 /	1.0	\$10.54	\$7.03	\$7.03
Fines, Forfeits & Penalties	\$1,135,000	2.0 /	1.0	1.0 /	1.0	\$10.42	\$5.21	\$5.21
Other Taxes	\$2,391,000	1.0 /	0.0	0.0 /	0.0	\$31.05	\$0.00	\$0.00

Source: Santa Barbara Annual Operating Budget, FY 1985-86; and Economics Research Associates.

APPENDIX B2

SANTA BARBARA ECONOMIC FORECAST AND HOTEL/TOURISM STUDY

WATER DEMAND, TRANSPORTATION, AND PLANNING ANALYSIS

Prepared by

EIP Associates
319 Eleventh Street
San Francisco, CA 94103

Table B-1

PROJECTED WATER DEMAND
Scenario #1: RETAIL EMPHASIS

Land Use Category	LAND USE DEVELOPMENT				UNITS	WATER DEMAND		
	Existing in 1985	Specific Major Projects	Additional Growth	TOTAL DEVELOPMENT		Average Demand (gal/unit/day) (AF/unit/yr)	Total Demand (AFY)	
RESIDENTIAL			Full Buildout					
Single, Med. Den.	15,876		150	16,026	houses	252	0.28	4,524
Single, Low. Den.	2,094		60	2,154	houses	552	0.62	1,332
Mobile Homes	360			360	units	115	0.13	46
Multiple	15,910		3,249	19,159	apts.	161	0.18	3,455
Total Residential	34,240		3,459	37,699	units			9,357
COMMERCIAL								
Retail/Services	7,692	517	615	8,824	1,000 sf	119	0.13	1,182.2
Restaurant	1,140	34	231	1,405	1,000 sf	651	0.73	1,024.5
Office	4,139	(28)	628	4,739	1,000 sf	77	0.09	408.7
Hotel/Motel	1,383	371	50	1,804	1,000 sf	387	0.43	782.0
Conference	24	16		40	1,000 sf	28	0.03	1.3
Total Commercial								3,398.7
INDUSTRIAL	3,894	(10)	378	4,262	1,000 sf	112	0.13	534.7
INSTITUTIONAL								
Public Buildings	12,735	50	8	12,793	1,000 sf	77	0.09	1,103.4
School Buildings	1,170	10		1,180	1,000 sf	155	0.17	204.9
Airport	166			166	acres		1.45	240.0
Zoo	81 ac	20		101	acres		0.96	96.4
Parks	89			89	acres		2.40	213.6
Golf Courses	225			225	acres		2.40	540.0
Cemetery	10			10	acres		2.40	24.0
Total Institutional								2,422.3
OVERLAP, ANNEXATIONS, OTHER AREAS								
Mission Canyon	926		242	1,168	houses	520	0.58	680.3
Barker Pass Road								52.0
Montecito								63.0
Las Positas Residential			737	737	houses	252	0.28	208.0
Commercial			25	25	1000 sf	119	0.13	3.3
Coast Village Road	Existing							110.0
	Retail		17	17	1000 sf	119	0.13	2.3
	Restaurant		25	25	1000 sf	651	0.73	18.2
Total								1,137.2
SUBTOTAL								16,850.1
UNACCOUNTED FOR WATER (as percent of subtotal)					5.0%			842.5
TOTAL								17,692.6

(a) Total water demand for these projects taken from their respective EIRs.

Table B-2

PROJECTED WATER DEMAND
Scenario #2: HOTEL EMPHASIS

Land Use Category	LAND USE DEVELOPMENT				UNITS	WATER DEMAND		
	Exists in 1985	Specific Major Projects	Additional Growth	TOTAL DEVELOPMENT		Average Demand (gal/unit/day) (AF/unit/yr)	Total Demand (AFY)	
RESIDENTIAL								
Single, Med. Den.	15,876		150	16,026	houses	252	0.28	4,523.8
Single, Low. Den.	2,094		60	2,154	houses	552	0.62	1,331.9
Mobile Homes	360			360	units	115	0.13	46.4
Multiple	15,910		3,249	19,159	apts.	161	0.18	3,455.2
Total Residential	34,240		3,459	37,699	units			9,357.2
COMMERCIAL								
Retail/Services	7,692	117	100	7,909	1,000 sf	119	0.13	1,062.2
Restaurant	1,140	34	180	1,354	1,000 sf	651	0.73	987.4
Office	4,139	(28)	628	4,739	1,000 sf	77	0.09	408.7
Hotel/Motel	1,383	560	227	2,170	1,000 sf	387	0.43	940.7
Conference	24	31	20	75	1,000 sf	28	0.03	2.4
Total Commercial								3,401.3
INDUSTRIAL	3,894	(10)	378	4,262	1,000 sf	112	0.13	534.7
INSTITUTIONAL								
Public Buildings	12,736	50	8	12,794	1,000 sf	77	0.09	1,103.5
School Buildings	1,170	10		1,180	1,000 sf	155	0.17	204.9
Airport	166			166			1.45	240.0
Zoo	81 ac	20		20	1,000 sf	77	0.09	98.1
Parks	89			89	Acres		2.40	213.6
Golf Courses	225			225	Acres		2.40	540.0
Cemetery	10			10	Acres		2.40	24.0
Total Institutional								2,424.1
OVERLAP, ANNEXATIONS, OTHER AREAS								
Mission Canyon	926		242	1,168	houses	520	0.58	680.3
Barker Pass Road								52.0
Montecito								63.0
Las Positas Residential			737	737	houses	252	0.28	208.0
Commercial			25	25	1000 sf	119	0.13	3.3
Coast Village Road Existing			17	17	1000 sf	119	0.13	110.0
Retail			25	25	1000 sf	119	0.13	2.3
Restaurant						651	0.73	18.2
Total								1,116.7
SUBTOTAL								
								16,834.0
UNACCOUNTED FOR WATER (as percent of subtotal)						5.0%	841.7	
TOTAL (b)								17,680.0

(a) Total water demand for these projects taken from their respective EIRs.

(b) Total may not add due to roundings.

Table B-3

PROJECTED WATER DEMAND

Scenario #3: EVEN DISTRIBUTION OF GROWTH

Land Use Category	LAND USE DEVELOPMENT				UNITS	WATER DEMAND		
	Exists in 1985	Specific Major Projects	Additional Growth	TOTAL DEVELOPMENT		Average Demand (gal/unit/day) (AF/unit/yr)	Total Demand (AFY)	
RESIDENTIAL								
Single, Med. Den.	15,876		150	16,026	houses	252	0.28	4,523.8
Single, Low. Den.	2,094		60	2,154	houses	552	0.62	1,331.9
Mobile Homes	360			360	units	115	0.13	46.4
Multiple	15,910		3,249	19,159	apts.	161	0.18	3,455.2
Total Residential	34,240		3,459	37,699	units			9,357.2
COMMERCIAL								
Retail/Services	7,692	517	434	8,643	1,000 sf	119	0.13	1,160.0
Restaurant	1,140	34	129	1,303	1,000 sf	651	0.73	950.2
Office	4,139	(28)	628	4,739	1,000 sf	77	0.09	408.7
Hotel/Motel	1,383	560	91	2,034	1,000 sf	387	0.43	881.7
Conference	24	15		39	1,000 sf	28	0.03	1.2
Total Commercial								3,401.9
INDUSTRIAL	3,894	(10)	378	4,262	1,000 sf	112	0.13	534.7
INSTITUTIONAL								
Public Buildings	12,736	50	8	12,794	1,000 sf	77	0.09	1,103.5
School Buildings	1,170	10		1,180	1,000 sf	155	0.17	204.9
Airport	166			166	acres		1.45	240.0
Zoo	81 ac	20		20	1,000 sf	77	0.09	98.1
Parks	89			89	acres		2.40	213.6
Golf Courses	225			225	acres		2.40	540.0
Cemetery	10			10	acres		2.40	24.0
Total Institutional								2,424.1
OVERLAP, ANNEXATIONS, OTHER AREAS								
Mission Canyon	926		242	1,168	houses	520	0.58	680.3
Barker Pass Road								52.0
Montecito								63.0
Las Positas Residential			737	737	houses	252	0.28	208.0
Commercial			25	25	1000 sf	119	0.13	2.3
Coast Village Road	Exists							110.0
Retail			17	17	1000 sf	119	0.13	2.3
Restaurant			25	25	1000 sf	651	0.73	18.2
Total								1,116.7
SUBTOTAL								
								16,834.6
UNACCOUNTED FOR WATER (as percent of subtotal)					5.0%	841.7		
TOTAL (b)								17,680.0

(a) Total water demand for these projects taken from their respective EIRs.
(b) Total may not add due to roundings.

PROJECTED WATER DEMAND

Scenario #4: OFFICE/R&D EMPHASIS

LAND USE DEVELOPMENT						WATER DEMAND		
Land Use Category	Existing in 1985	Specific Major Projects	Additional Growth	TOTAL DEVELOPMENT UNITS		Average Demand (gal/unit/day) (AF/unit/yr)	Total Demand (AFY)	
RESIDENTIAL								
Single, Med. Den.	15,876		150	16,026	houses	252	0.28 4,522.8	
Single, Low. Den.	2,094		60	2,154	houses	552	0.62 1,331.9	
Mobile Homes	360		0	360	units	115	0.13 46.4	
Multiple	15,910		3,249	19,159	apts.	161	0.18 3,455.2	
Total Residential	34,240		3,459	37,699	units		9,357.2	
COMMERCIAL								
Retail/ Services	7,692	117	100	7,909	1,000 sf	119	0.13 1,062.2	
Restaurant	1,140	34	129	1,303	1,000 sf	651	0.73 950.2	
Office	4,139	0	1,717	5,856	1,000 sf	77	0.09 505.1	
Hotel/Motel	1,383	371	50	1,804	1,000 sf	387	0.43 782.0	
Conference	24			24	1,000 sf	28	0.03 0.8	
Total Commercial							3,300.2	
INDUSTRIAL	3,894		1,116	5,010	1,000 sf	112	0.13 628.5	
INSTITUTIONAL								
Public Buildings	12,736	50	8	12,794	1,000 sf	77	0.09 1,102.5	
School Buildings	1,170	10		1,180	1,000 sf	155	0.17 204.9	
Airport	166			166	acres		1.45 240.0	
Zoo	81 ac	20		20	1,000 sf	77	0.09 98.1	
Parks	89			89	acres		2.40 213.6	
Golf Courses	225			225	acres		2.40 540.0	
Cemetery	10			10	acres		2.40 24.0	
Total Institutional							2,424.1	
OVERLAP, ANNEXATIONS, OTHER AREAS								
Mission Canyon	926		242	1,168	houses	520	0.58 680.3	
Barker Pass Road							52.0	
Montecito							63.0	
Las Positas Residential			737	737	houses	252	0.28 208.0	
Commercial			25	25	1000 sf	119	0.13 3.3	
Coast Village Road	Existing						110.0	
Retail			17	17	1000 sf	119	0.13 2.3	
Restaurant			25	25	1000 sf	651	0.73 18.2	
Total							1,116.7	
SUBTOTAL							16,826.7	
UNACCOUNTED FOR WATER (as percent of subtotal)					5.0%		838.0	
TOTAL (b)							17,660.0	

Table B-5

Area	1985 Existing Conditions			Scenario 3: Even Distribution			Scenario 1: Retail Emphasis			Scenario 2: Hotel Emphasis			Scenario 4: Office/R&D Emphasis		
	SQ.FT.	ADT	PM PK HR	SQ.FT.	ADT	PM PK HR	SQ.FT.	ADT	PM PK HR	SQ.FT.	ADT	PM PK HR	SQ.FT.	ADT	PM PK HR
Downtown															
Retail/Services	5,703,400	232,128	22,749	841,500	266,377	26,105	1,026,000	273,887	26,841	215,750	240,909	23,607	189,950	239,859	23,506
Office	3,437,100	61,860	9,775	485,000	70,598	11,154	485,000	70,598	11,154	485,000	70,598	11,154	1,393,495	86,951	13,738
Hotel	507,400	10,674	749	158,500	14,021	981	21,000	11,135	779	303,500	17,065	1,195	145,500	13,748	962
Industrial	2,090,700	11,499	2,300	68,000	11,873	2,375	68,000	11,873	2,375	68,000	11,873	2,375	591,500	14,752	2,950
Institutional	4,371,300	35,419	3,542		35,419	3,542		35,419	3,542		35,419	3,542		35,419	3,542
		351,608	39,114		398,289	44,157		402,911	44,691		375,864	41,875		390,730	44,699
Outer State Street															
Retail/Services	1,559,604	63,476	6,221	143,819	69,329	6,794	190,768	71,240	6,982	81,220	66,782	6,545	81,220	66,782	6,545
Office	336,300	6,053	956	62,750	7,183	1,135	62,750	7,183	1,135	62,750	7,183	1,135	176,222	9,225	1,458
Hotel	220,400	4,627	731	12,103	4,881	771	0	4,627	731	20,172	5,050	798	12,103	4,881	771
Industrial	600														
		74,156	7,908		81,393	8,700		83,050	8,847		79,015	8,477		80,888	8,773
Waterfront															
Retail/Services	493,970	20,105	1,970	128,900	25,351	2,484	180,400	27,447	2,670	134,350	25,573	2,506	108,990	24,540	2,405
Office	50,806	1,059	167	52,200	1,998	316	52,200	1,998	316	52,200	1,998	316	146,595	3,677	584
Hotel	436,341	9,160	641	475,377	19,560	1,369	416,000	17,893	1,253	514,328	19,957	1,397	473,397	19,518	1,366
Industrial	1,726,326	9,495	1,899	300,000	11,145	2,229	300,000	11,145	2,229	300,000	11,145	2,229	525,000	12,382	2,476
		39,818	4,678		58,054	6,398		58,483	6,487		58,673	6,448		60,138	6,832
Trips Generation Rates (per sq.ft.)															
		Retail/Services			Office			Hotel			Industrial			Institutional	
		ADT	Peak		ADT	Peak		ADT	Peak		ADT	Peak		ADT	Peak
Downtown		0.041	0.098		0.018	0.158		0.021	0.070		0.006	0.200		0.008	0.100
Outer State Street		0.041	0.098		0.018	0.158		0.021	0.070		0.006	0.200			
Waterfront		0.041	0.098		0.018	0.158		0.021	0.070		0.006	0.200			

Source: EIP Associates
Santa Barbara City Planning Division

Figure B-1

Percent of ADT

Difference from Even Growth Scenario

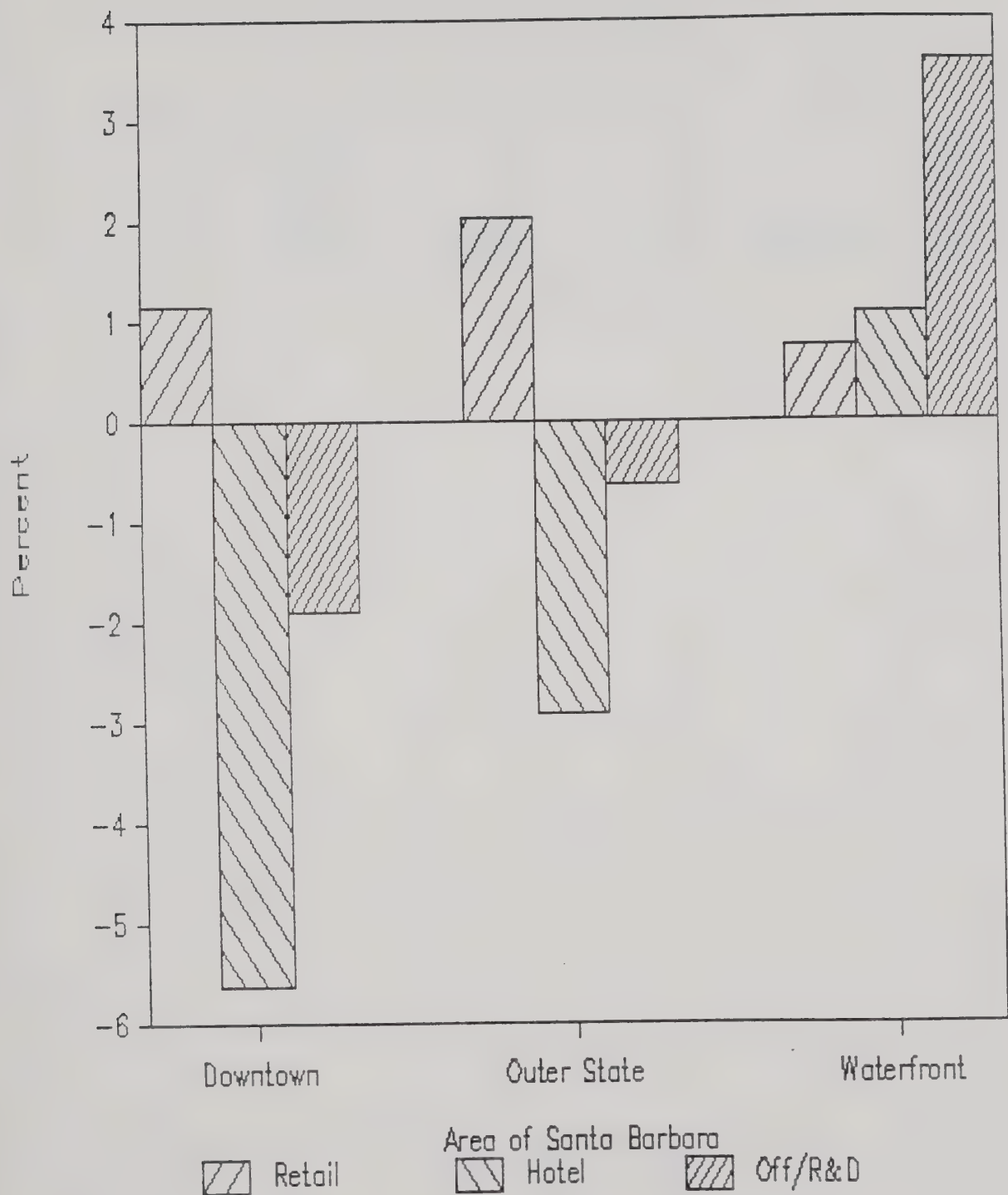
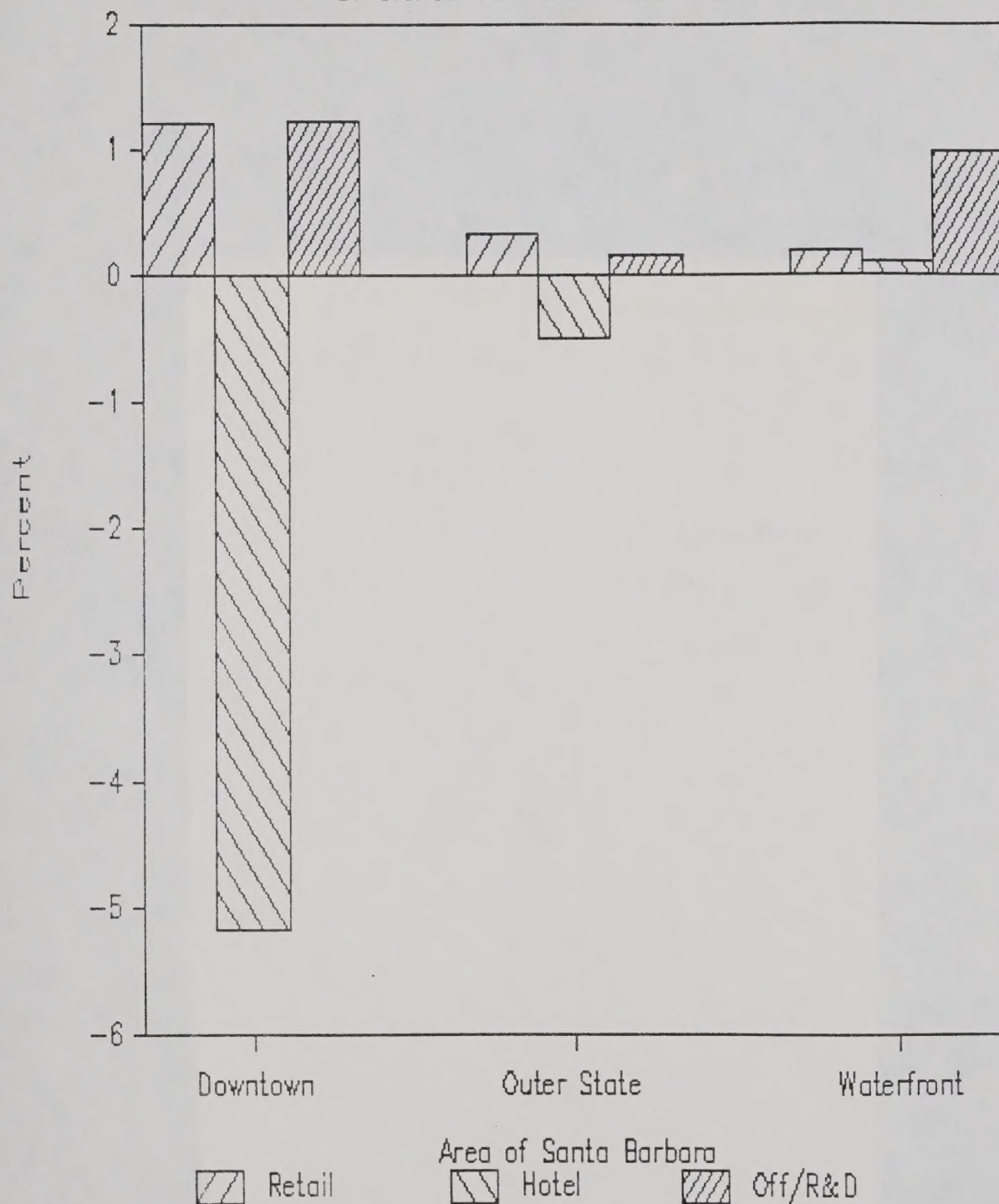


Figure B-2

Increment of Peak Trips

Difference from Even Growth Scenario





C124891644

**RETURN
TO →****MAIN CIRCULATION**

ALL BOOKS ARE SUBJECT TO RECALL
RENEW BOOKS BY CALLING **642-3405**

DUE AS STAMPED BELOW

SENT ON ILL		
MAR 02 1994		
U. C. BERKELEY		

